98th Congress, 2d Session - - - - - - - - - House Document No. 98-165

SOCIAL SECURITY AGREEMENT BETWEEN THE UNITED STATES AND CANADA

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF CANADA WHICH CONSISTS OF FIVE SEPARATE INSTRUMENTS NEGOTIATED AND SIGNED OVER A PERIOD OF SEVERAL YEARS, PURSUANT TO SSA, SECTION 233(e) (91 STAT. 1538)

JANUARY 26, 1984.—Message and accompanying papers referred to the Committee on Ways and Means and ordered to be printed

---

U.S. GOVERNMENT PRINTING OFFICE

31-011 O WASHINGTON : 1984

H780-3

To the Congress of the United States:

Pursuant to section 233(e)(1) of the Social Security Act (42 U.S.C. 433(e)(1)), I transmit herewith the Agreement between the United States of America and the Government of Canada which consists of five separate instruments negotiated and signed over a period of several years.

The U.S.-Canada agreements are similar in objective to the social security agreements already in force with Italy, the Federal Republic of Germany, and Switzerland and to proposed agreements with Belgium and Norway which were recently submitted to Congress for review. Such bilateral agreements, generally known as totalization agreements, provide for limited coordination between the United States and foreign social security systems to overcome the problems of gaps in protection, and of dual coverage and taxation for workers who move from one country to the other.

I also transmit a comprehensive report prepared by the Department of Health and Human Services. This report explains the provisions of the Agreements and provides data on the number of persons affected by the Agreements and the effect on social security financing as required by the same provision of the Social Security Act.

The Department of State and the Department of Health and Human Services join with me in commending the U.S.-Canada Social Security Agreement and related documents.

RONALD REAGAN.

THE WHITE HOUSE, *January 26, 1984.*

Report to Congress To Accompany the Social Security Agreement Between the United States and Canada

I. INTRODUCTION

The Social Security Agreement between the United States and Canada is intended to provide limited coordination of the old-age, survivors, and disability insurance (OASDI) programs of the two countries. The agreement is similar in content and objective to the agreements between the United States and Italy, Germany and Switzerland, which are already in force, and to the agreements with Belgium and Norway which have been signed but not yet brought into force.

The U.S.-Canadian agreement consists of five separate instruments which were negotiated and signed over a period of several years:

(1) The principal agreement, signed by representatives of the U.S. and Canadian Governments during the President's visit to Ottawa on March 11, 1981, setting forth the basic rules for coordinating the two countries' systems;

(2) an administrative arrangement, signed on May 22, 1981, establishing operating procedures to implement the principal agreement;

(3) a supplementary agreement, signed more recently on May 10, 1983, authorizing the United States to apply a simplified benefit computation procedure;

(4) an understanding with Canada's Quebec Province, signed on March 30, 1983, extending the application of the agreement to Quebec's provincial-level social security program;

(5) an administrative arrangement to implement the understanding, also signed on March 30, 1983.

These five documents, which make up the U.S.-Canadian Social Security Agreement are now being submitted to Congress for review in accordance with section 233(e) of the Social Security Act.

The U.S.-Canadian agreement would eliminate dual coverage, the situation that now exists when a national of one country works in the other country and is covered under and required to pay contributions to the Social Security systems of both countries for the same work. In addition, the agreement would eliminate situations where workers suffer a loss of benefit rights merely because they have divided their careers between the two countries.

Accompanying this report are paragraph-by-paragraph explanations of the principal agreement and related administrative arrangement (Annex A), the supplementary agreement (Annex B), and the understanding and administrative arrangement with Quebec Province (Annex C). The report required by section 233(e)(1) of the Social Security Act on the effect of the agreement on income and expenditures of the U.S. Social Security program and the number of individuals affected by the agreement is also included (Annex D), as is a description of the Canadian social security system (Annex E).

In all major respects, the contributing OASDI program of Quebec is similar to the Canadian national contributory program. Except as otherwise stated below, the understanding with Quebec contains provisions which correspond to provisions of the principle agreement described in the following discussion.

II. STATUTORY REQUIREMENTS

Section 233(c)(1) of the Social Security Act requires that international agreements concluded pursuant to that section provide for the elimination of dual coverage of the same work under the social security systems of the United States and the other country which is a party to the agreement, and for combining credits earned by a worker under the two systems for benefit eligibility purposes. In addition, the law stipulates that when eligibility for U.S. Social Security benefits is established on the basis of combined credits, the amount of the benefit payable must be based on the proportion of the worker's periods of coverage completed under the title II of the Social Security Act. The U.S.-Canadian agreement includes these required provisions.

III. COVERAGE PROVISIONS

In conformity with section 233(c)(1) of the Social Security Act, Part II of the principal agreement sets forth rules designed to eliminate dual coverage and taxation of the same work under the U.S. and Canadian Social Security systems.

A. Rules governing employees

The rules which apply to employed persons provide that dual coverage under the laws of the United States and Canada would be eliminated generally by maintaining an employee's coverage under the system of the country where the work is performed and exempting him from compulsory coverage under the system of the other country.

Special rules would apply, however, for employees who are temporarily transferred by their employers in one country to work in the other country for a period of 5 years or less. In these cases, an employee who was covered in one country before his transfer would continue to be covered under that country's system and would be exempt from coverage in the other country. Thus, a U.S. citizen who is temporarily transferred by his company to Canada would only be covered under and pay contributions to the U.S. program, and he and his employer would be relieved of the additional burden of paying social security contributions to the Canadian program.

Other rules set forth in this Part would apply to persons employed by the Governments of the two countries and to persons employed in international air or ship transportation.

B. Rules governing self-employed persons

Part II also contains rules applicable to persons whose earnings from self-employment would be subject to compulsory coverage under the laws of both countries. Under these rules, a self-employed Canadian resident whose earnings would otherwise be dually covered will be covered only under the laws of Canada. A dually covered U.S. resident would be covered only under U.S. laws.

IV. BENEFIT PROVISIONS

Part III of the principal agreement establishes the basic rules of determining entitlement to and the amount of U.S. and Canadian benefits for persons who have worked in both countries. These benefit provisions are included pursuant to section 233(c)(1) of the Social Security Act.

A. Provisions applicable to the United States

1. *Totalization.*—Under the rules which apply to the United States, if a worker has at least 6 quarters of coverage under the U.S. Social Security program, but not enough for entitlement to a U.S. benefit, the worker's coverage credits from both countries could be combined, or totalized, to qualify for a U.S. benefit. If entitlement is established based on totalized credits, the amount of the benefit would be determined by combining earnings records from both countries to compute a theoretical U.S. benefit, which would then be prorated to establish a partial benefit based on the ratio of periods of coverage completed in the United States to the total periods completed in both countries. This computation method is identical to the method used in the three U.S. social security agreements now in force.

2. *Alternative Computation Method.*—Experience in implementing these earlier agreements has shown that using foreign earnings information to compute U.S. benefit amounts is cumbersome for both the United States and the other country. The time required to secure foreign earnings records can exceed a year in some countries, which causes long delays in adjudicating U.S. totalization claims.

In addition, prorating benefit amounts based on the ratio of U.S. periods of coverage to total periods in both countries can result in individuals with the same date of birth and the same average earnings and coverage under the United States system receiving significantly different U.S. totalization benefit amounts depending upon the amounts of covered work they had under the foreign system. Although additional foreign coverage would generally reduce the amount of U.S. totalization benefits, it would not necessarily result in a compensating increase in the amount of foreign benefits, depending on the computation method used by the foreign country.

To avoid the problems created by using foreign earnings and coverage data, the Social Security Administration has developed a new method of computing U.S. totalization benefits within the parameters of section 233. The existing regulations which authorize the current method would have to be revised before the new method could be implemented.

Article 1 of the supplementary agreement would permit the United States to use the alternative computation method rather than the method employed under earlier agreements. The new method would shorten processing time and expedite the payment of totalization benefits. Under this method, the United States would compute the theoretical benefit on the basis of a worker's earnings level during the period he was actually covered under U.S. laws. The theoretical benefit would be prorated to reflect the proportion of a coverage lifetime actually completed under the U.S. program. It is contemplated that a coverage lifetime will be defined in regulations as the number of the worker's benefit computation years, i.e., the years which must be used in determining a worker's average earnings under the regular U.S. national computation method.

The language of Article 1 has been drafted to allow use of the present method applied in earlier agreements if, for some unforeseen reason, the proposed new method is not adopted or the promulgation of the regulatory revision is long delayed. The understanding with Quebec contains a provision which is virtually identical to Article 1 of the supplementary agreement.

3. *Converting Periods of Coverage.*—Part III of the agreement also establishes procedures to be followed in converting periods of coverage under the Canadian system into equivalent periods under the U.S. system. Periods of coverage under the U.S. Social Security program are measured in terms of calendar quarters while Canadian periods of coverage are measured in years. Under the agreed upon procedures, the Canadian agency would certify to the Social Security Administration the years in which a worker has contributory coverage under the Canadian system. SSA would credit four quarters of coverage for every year certified by the Canadian agency to the extent the calendar quarters in such years do not coincide with quarters of coverage credited under the U.S. system.

B. Provisions applicable to Canada

1. *Canadian OASDI Benefits.*—Canada provides old-age, survivors and disability benefits through two separate programs—the Old Age Security Program (OAS) and the Canada Pension Plan (CPP)—which together make up what is usually described as a two-tier social security system. The OAS program, or first tier, is a non-contributory program applicable in all of Canada which pays old-age benefits to persons age 65 or over in proportion to the number of years they have resided in Canada. The CPP constitutes the second tier and is a contributory, earnings-related program. It pays retirement, disability and survivors benefits based on the length of the worker's employment and the level of his earnings.

The CPP is applicable throughout Canada, except in the Province of Quebec. Under a constitutional prerogative, Quebec has established its own second-tier program called the Quebec Pension Plan (QPP). Provisions to coordinate the U.S. Social Security program and the QPP are included in the understanding and administrative arrangement with Quebec.

2. *Totalization.*—

(a) OAS—To be eligible for an old-age benefit under the OAS program, a person must generally have been a resident of Canada for 10 years, and a resident for 20 years for the benefit to be payable outside of Canada. Under the agreement, if a person has resided in Canada for at least one year but does not meet the minimum OAS residence requirements, Canada will combine U.S. coverage with periods of Canadian residence to meet both the 10- and 20-year requirements.

(b) CPP/QPP—Under the CPP and QPP, retirement pensions are payable to persons 65 years of age and over who have worked as little as one year in covered employment. Because of this immediate vesting, Canada will not need to totalize U.S. and CPP/QPP periods of coverage to determine entitlement to or the amount of retirement benefits. Minimum coverage requirements do apply to CPP/QPP disability and survivors benefits and the agreement therefore provides that Canada will combine U.S. coverage with CPP/QPP coverage if necessary to establish a person's right to a disability or survivors benefit.

C. Benefit portability

Section 233(c)(2) of the Social Security Act permits agreements to contain provisions avoiding the application of the alien nonpayment provisions of the Social Security Act (section 202(t)) for persons residing in a foreign country with which the United States has an agreement in force. Canadian citizens located outside the United States, including those located in Canada, are already exempt from the nonpayment provisions of section 202(t)(1). However, citizens of other countries who reside in Canada may not be. The agreement therefore provides an exemption from the nonpayment provisions of section 202(t)(1) for Canadian residents, regardless of their citizenship. Moreover, under the Social Security Amendments of 1983, the United States will not pay nonresident aliens who first become eligible for title II dependents' and survivors' benefits (including totalized benefits) after December 31, 1984, and who do not satisfy certain U.S. residency requirements, unless they are citizens or residents of a country with which the United States has a totalization agreement in force. Thus, beneficiaries who are citizens or residents of Canada will not be subject to this new nonpayment provision once the agreement enters into force.

V. OTHER PROVISIONS

Section 233(c)(4) of the Social Security Act authorizes agreements to contain other provisions not inconsistent with title II of the Act which are appropriate to carry out the purposes of the agreements. In accordance with this provision, the U.S.-Canadian agreement contains a number of articles designed to permit the United States and Canada to render free or reimbursable assistance to the other country in implementing the agreement.

AGREEMENT

ANNOTATIONS AND COMMENTS

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF CANADA WITH RESPECT TO SOCIAL SECURITY

THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND

THE GOVERNMENT OF CANADA,

RESOLVED TO CO-OPERATE IN THE FIELD OF SOCIAL SECURITY, HAVE DECIDED TO CONCLUDE AN AGREEMENT FOR THIS PURPOSE,

AND,

HAVE AGREED AS FOLLOWS:

Both Canada and the United States are concluding this Agreement under specific statutory authority. In the case of Canada that authority is contained in the Canada Pension Plan and Old Age Security Acts. The Agreement will be subject to the approval of the Canadian Parliament. The Agreement is being concluded by the United States as an executive agreement under authority of section 233 of the Social Security Act and will be subject to congressional review in conformity with that section. Upon entry into force the Agreement will have the effect of law in both countries and will be binding on both countries.

PART I

GENERAL PROVISIONS

Article I

For the purpose of this Agreement:

(1) "Territory" means, "as regards the United States, the States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam and American Samoa, and as regards Canada, the territory of Canada";

(2) "National" means, "as regards the United States, a national of the United States as defined in Section 101, Immigration and Nationality Act of

Article I defines the key terms used in the Agreement.

The definition of United States "territory" is identical to the definition of the United States in section 210(i) of the Social Security Act. Canadian "territory" means the 10 Provinces and 2 Territories of Canada.

Under Section 101 of the Immigration and Nationality Act of 1952, "the term national of the United States means (A) a citizen of the United States, or (B) a person

1952, as amended, and as regards Canada, a citizen of Canada";

(3) "Laws" means "the laws and regulations specified in Article II";

(4) "Competent Authority" means, "as regards the United States, the Secretary of Health and Human Services, and "as regards Canada, the Minister or Ministers of the Crown responsible for the administration of the laws specified in Article II(1)(b)";

(5) "Agency" means, "as regards the United States, the Social Security Administration, and "as regards Canada, for all matters other than those related to contributions: the Department of National Health and Welfare; for matters related to contributions: the Department of National Revenue-Taxation";

who, though not a citizen of the United States, owes permanent allegiance to the United States." Those in category (B) include natives of American Samoa and Swain's Island. A "Canadian national" means a citizen of Canada.

The term "laws" as used in the Agreement refers to the laws and regulations of each country pertaining to old-age, survivors, and disability insurance as set forth in Article II. Article II(1)(a) specifies the U.S. laws to which the Agreement applies.

"Competent Authority" as used throughout this Agreement, refers to the Government official in each country with ultimate responsibility for administering the social security program, including the provisions of the Agreement.

"Agency," as used in the Agreement, refers to the administrative body in each country responsible for taking and processing claims and making coverage determinations under each country's social security laws. The Social Security Administration is the agency for the United States. However, the U.S. Internal Revenue Service's responsibility for determining social security tax liability in light of SSA coverage determinations under the Agreement is not affected.

Canada's Department of National Health and Welfare, which has primary responsibility for administering the Canada Pension Plan (CPP), takes claims and pays benefits through its head office in Ottawa, 42 district offices and 109 local offices across Canada. It is also responsible for the payment of benefits, the formu-

lation of policy, and general administration of the Old Age Security Program (OAS). (See annotations to Part III for a description of the CPP and OAS programs.) Administration of OAS is decentralized in 10 regional offices situated in the capital city of each of the 10 Provinces. As used in the Agreement, the term "agency" includes each of the CPP and OAS regional, district and local offices. However, the Income Security Programs division of the Department of National Health and Welfare is designated as the Canadian "liaison agency" in paragraph 1 of the Administrative Arrangement and as such will be the Social Security Administration's principal contact for purposes of implementing and administering the Agreement.

Because the Canadian Department of National Revenue-Taxation is responsible for CPP coverage policy as well as the collection of CPP contributions, it is designated as the Canadian "agency" responsible for matters related to contributions.

(6) "Period of coverage" means "a period of payment of contributions or a period of earnings from employment or self-employment, as defined or recognized as a period of coverage by the laws under which such period has been completed, or any similar period insofar as it is recognized by such laws as equivalent to a period of coverage; a period of residence shall not be recognized as a period of coverage";

The term "period of coverage" means any period which is credited under the laws of either country for purposes of determining benefit eligibility, including periods of covered employment or self-employment. Although Canada's Old Age Security program pays benefits to persons who meet certain duration-of-residence requirements, a period of residence is not recognized as a "period of coverage" for purposes of this Agreement.

(7) "Benefit" means "any benefit provided for in the laws of either Contracting State";

"Benefit" refers to old-age, survivors, disability and lump sum death benefits provided under the social security laws of either country. "Benefit" includes benefits payable under Canada's Old Age Security Act and

AGREEMENT	ANNOTATIONS AND COMMENTS
	Canada Pension Plan. However, the term does not include special age-72 payments provided for certain uninsured persons under section 228 of the Social Security Act of the United States.
(8) "Stateless person" means "a person defined as a stateless person in Article 1 of the Convention Relating to the Status of Stateless Persons dated September 28, 1954";	The Convention relating to the Status of Stateless Persons defines a "stateless person" as "a person who is not considered as a national by any State under the operation of its laws."
(9) "Refugee" means "a person defined as a refugee in Article 1 of the Convention Relating to the Status of Refugees dated July 28, 1951, and the Protocol to that Convention dated January 31, 1967".	The Convention relating to the Status of Refugees, in conjunction with the 1967 Protocol thereto, defines "refugee" as any person who "owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence, is unable or, owing to such fear, is unwilling to return to it."
Article II	
(1) For the purpose of this Agreement, the applicable laws are:	Article II specifies the laws to which the Agreement applies. For the United States, it applies to title II of the Social Security Act and the corresponding tax laws (the Self-Employment Contributions Act of 1954 and the Federal Insurance Contributions Act) and any regulations pertaining to those laws. However, the Agreement
(a) As regards the United States, the laws governing the Federal Old-Age, Survivors and Disability Insurance Program:	
(i) Title II of the Social Security Act and reg-	

ulations pertaining thereto, except sections 226, 226A and 228 of that title and regulations pertaining to those sections, and

(ii) Chapter 2 and Chapter 21 of the Internal Revenue Code of 1954 and regulations pertaining to those chapters;

(b) As regards Canada:

(i) the Old Age Security Act and regulations made thereunder, and

(ii) the Canada Pension Plan and regulations made thereunder.

(2) Unless otherwise provided in this Agreement, the applicable laws referred to in paragraph (1) of this Article do not include treaties or other agreements concluded between either Contracting State and a third State and laws or regulations promulgated for their implementation.

(3) This Agreement shall also apply to future laws amending the laws specified in paragraph (1) of this Article.

(4) Provincial social security legislation may be dealt with in understandings as specified in Article XX.

does not apply to Medicare provisions (sections 226 and 226A of the Social Security Act) or provisions for special payments to uninsured individuals age 72 or over under section 228 of the Social Security Act. Persons to whom the Agreement applies who qualify independently for Medicare hospital insurance or age-72 payments will be entitled to receive such benefits.

For Canada, the Agreement applies to the Old Age Security Act and the Canada Pension Plan and regulations pertaining to those laws.

The laws to which the Agreement applies do not include treaties and other international agreements (or laws implementing them)—for example, either country's social security agreements with third countries. The purpose of this provision is to ensure that in cases where a person has periods of coverage in the United States and Canada and periods of coverage in a third country with which the United States or Canada has a social security agreement, periods from all three countries cannot be totalized to meet U.S. or Canadian benefit eligibility requirements.

The Agreement automatically applies to any future laws which amend provisions of the social security laws set forth in Article II(1).

Canadian law provides that the Canada Pension Plan (CPP) will not apply in any Province which establishes a comparable social security program. Quebec is the only Province which has established its own system; it is called the Quebec Pension Plan (QPP) and is, in all major respects, similar to the CPP. Under Canadian

law, CPP and QPP coverage credits are completely portable within Canada. A person who resides in a province of Canada other than Quebec at the time he applies for social security benefits is subject to CPP jurisdiction and receives any benefits for which he qualifies from the CPP. In determining the person's right to benefits, the CPP takes account of any QPP coverage credits the person may have earned as if they were CPP credits. Similarly, a person who resides in Quebec at the time he applies for social security benefits is subject to QPP jurisdiction and the QPP takes account of any CPP credits the person may have earned during his career. For applicants living abroad, the place of last Canadian residence determines jurisdiction.

Article II(4) permits the extension of the Agreement to provincial laws governing provincial systems such as the QPP. Although the federal and provincial-level systems are fundamentally the same, it is necessary to make certain special arrangements in order to include a provincial system within the scope of this Agreement. These arrangements are incorporated in the "understanding" referred to in this paragraph and Article XX.

ARTICLE III

Unless otherwise provided, this Agreement shall apply to:

(a) nationals of either Contracting State,
(b) refugees,
(c) stateless persons,
(d) other persons with respect to the rights they

Article III specifies five categories of persons to whom the Agreement applies: (1) U.S. or Canadian nationals, (2) refugees, (3) stateless persons, (4) persons regardless of nationality who derive rights through any of the above, and (5) nationals of other countries. International conventions concerning refugees and stateless per-

derive from a national of either Contracting State, a refugee or a stateless person, and

(e) nationals of a State other than a Contracting State who are not included among the persons referred to in paragraph (d) of this Article.

sons provide that rights under bilateral social security agreements be extended to these groups. With respect to category III(d), the only persons other than family members and survivors who could derive rights under U.S. law from a person in the first three categories are certain persons who could qualify for either a lump-sum death payment or benefits owed to a deceased beneficiary. See Article I(2), I(8) and I(9) for definitions of "national," "stateless person," and "refugee."

Article IV

(1) Unless otherwise provided in this Agreement, the persons designated in Article III (a), (b), (c) or (d) who reside in the territory of either Contracting State shall, in the application of the laws of a Contracting State, receive equal treatment, with respect to the payment of benefits, with the nationals of that Contracting State.

Article IV(1) provides that the persons to whom the Agreement applies (with the exception of third country nationals designated in Article III(e)) who reside in the United States or Canada will be accorded the same treatment under each country's social security laws with respect to benefit payments as each accords its own nationals. The paragraph is not intended to affect the coverage provisions of either country's laws since these are dealt with specifically in Part II of the Agreement.

(2) Nationals of a Contracting State who reside outside the territories of both Contracting States shall receive benefits provided by the laws of the other Contracting State under the same conditions which the other Contracting State applies to its own nationals who reside outside the territories of both Contracting States.

Article IV(2) provides that each country will pay benefits to nationals of the other country residing outside of both countries on the same basis as it pays its own nationals residing outside both countries. This paragraph is merely intended to reaffirm the current laws of both countries concerning the payment of benefits outside their territories and creates no additional rights.

(3) Unless otherwise provided in this Agreement, the laws of a Contracting State under which entitlement to

Article IV(3) provides that where the laws of either country require that a person be resident or present in

or payment of cash benefits is dependent on residence or presence in the territory of that Contracting State shall not be applicable to the persons designated in Article III who reside in the territory of the other Contracting State.

(4) As regards the laws of Canada, paragraph (1) of this Article is extended to persons designated in Article III(e).

PART II

Provisions on Coverage

that country in order to qualify for or receive social security benefits, the person may also qualify for or receive those benefits during periods of residence in the other country. This paragraph permits the United States to pay certain third country nationals and their dependents who would otherwise be subject to the alien non-payment provisions of section 202(t) of the Social Security Act during periods of residence in Canada.

Canadian law, unlike the social security laws of many countries, contains few nationality-based distinctions. Thus, non-Canadian citizens are generally accorded the same treatment under Canada's social security laws as Canadian citizens. Article IV(4) makes clear that third country nationals will continue to enjoy equality of treatment with Canadian citizens, whether they reside in Canada or the United States.

Part II is intended to eliminate duel coverage, i.e., situations where a worker is covered under the laws of both countries with respect to the same services. In so doing, the existing coverage provisions of the laws of both countries are preserved to the greatest extent possible. The provisions in this Part are intended to eliminate dual coverage by continuing the worker's social security coverage and taxation under the system of the country to whose economy he has the more direct connection and exempting him from coverage and taxation under the other country's system.

Article V

(1) Except as otherwise provided in this Article, an employed person who works in the territory of one of the Contracting States shall, in respect of that work, be subject to the laws of only that Contracting State.

Article V(1) establishes a general territoriality rule which stipulates that ordinarily a person's work in a country will be subject to the laws on coverage of only that country. Thus, a person working in employment covered under the laws of both countries will remain covered only under the system of the country where the work is performed and will be exempt from coverage under the system of the other country. Article V(2) contains an exception to this rule which applies when an employee is required by his employer in one country to work temporarily in the other country. Article V(3) sets forth rules applicable to persons mentioned in the Vienna Conventions on diplomatic and consular relations. Article V(4) establishes rules applicable to persons employed in U.S. or Canadian Government service. Article V(5) and Article V(6) provide rules for the elimination of dual coverage in employment in international air or ship transportation and in self-employment, respectively. Article V(7) explains how the other provisions of Article V will be applied in the case of a person who is engaged in an activity considered to be employment by one country and self-employment by the other.

AGREEMENT

(2)(a) Where an employed person is covered under the laws of one of the Contracting States in respect of work performed for an employer having a place of business in the territory of that Contracting State and is then required by that employer to work in the territory of the other Contracting State, the person shall be subject to the laws of only the first Contracting State in respect of that work, as if it were performed in the territory of the first Contracting State. The preceding sentence shall apply provided that the period of work in the territory of the other Contracting State does not exceed 60 months.

(b) For the purpose of subparagraph (a), where a person is required to work in the territory of the other

ANNOTATIONS AND COMMENTS

Under Article V(2)(a) an employee working for an employer located in the United States or Canada who is required to work temporarily in the other country for the same employer (its parent corporation or a foreign subsidiary of the same employer) will continue to be covered by the country in which the employer is located. However, this rule will apply only if the period of work in the other country does not exceed 60 months. If a person's employment were not covered in the country in which his employer is located, this paragraph would not apply and the person would generally be subject to the laws of the country in which he is working. Article V(2)(a) will apply even if the employee is not sent directly to the other country but is first assigned to work in a third country.

It is recognized that the rule set forth in Article V(2)(a) may not clearly establish which country's coverage is to continue to apply in certain exceptional situations involving employees who routinely work in both the United States and Canada for employers with places of business in both countries (e.g., truck drivers working for firms which have offices or terminals in the United States and Canada). In these special situations, coverage determinations will be made by the Competent Authorities under Article V(11). In assigning coverage, such factors as the employee's country of citizenship, where he resides and where he reports to work will be considered in determining the country to which he has the greater economic attachment.

Article V(2)(b) explains how the 60-month time limit specified in Article V(2)(a) will apply to persons who are

Contracting State for intermittent periods of short duration, each such period shall be considered a separate period of work.

(c) With the prior mutual consent of the Competent Authorities of the Contracting States, subparagraph (a) shall also apply:

(i) where the employer does not have a place of business in the territory of the first Contracting State, or

(ii) where the period of work in the other Contracting State exceeds or is expected to exceed 60 months.

(3) This Article shall not apply to the categories of persons mentioned in the provisions of the Vienna Convention on Diplomatic Relations of April 18, 1961, and of the Vienna Convention on Consular Relations of April 24, 1963, unless such persons have waived their immunities and privileges with respect to the payment of social security contributions.

required to work in the other country for short, intermittent assignments. The provision is intended to make it clear that each assignment is considered a separate period of work and that such periods will not be added together for purposes of applying the 60-month time limit specified in Article V(2)(a). This provision applies to persons such as truck drivers and professional athletes who routinely make frequent short trips to the other country in the course of their employment.

Article V(2)(c) provides that the Competent Authorities may jointly agree to grant special exceptions to the general rule set forth in Article V(2)(a). In particular, a special exception would be required in order for Article V(2)(a) to apply in the case of a person who is temporarily transferred from one country to work in the other country if the person's employer does not have a place of business in the first country. Also, a special exception would be required in order for Article V(2)(a) to apply in the case of a person who is temporarily transferred from one country to work in the other country if the person's assignment in the other country exceeds or is expected to exceed 60 months.

Article V(3) is intended to make it clear that, in general, the categories of persons mentioned in the Vienna Conventions on diplomatic and consular relations will not be affected by the coverage provisions of the Agreement. The Conventions, to which both the United States and Canada are parties, apply to members of the staff of a diplomatic or consular mission, including the diplomatic, consular, administrative and technical staffs; dependants of members of those staffs; the do-

(4)(a) Except as provided in subparagraph (b), this Article shall not apply to a person employed in the Government service of one of the Contracting States.

(b) Where a person employed in the Government service of one of the Contracting States is covered under the laws of both Contracting States in respect of that employment, the following rules shall apply:

mestic service staff of the mission; and private servants employed by members of such missions.

In general, persons mentioned in the Vienna Conventions are exempt from social security coverage and contributions under the laws of the host country unless specific arrangements have been made to waive their immunity. Persons whose immunity has been waived would be subject to the laws of the host country, including the coverage provisions of this Agreement. Those employed in the Government service of the United States or Canada would look to Article V(4) to determine their coverage status; those who are not Government employees would look to the remaining paragraphs of Article V. This provision is designed to avoid affecting the social security coverage of diplomatic and consular officials while providing a means of eliminating any dual coverage which might occur among the dependants of diplomatic and consular personnel.

Article V(4)(a) in conjunction with Article V(4)(b) makes clear that the Agreement will not affect the coverage of persons employed in the Government service of the United States or Canada unless they are dually covered with respect to such service. While there is little chance that a U.S. Government employee would ever be dually covered for his Government service, dual coverage of a Canadian Provincial or municipal employee working in the United States is more likely.

Article V(4)(b) provides the rules for eliminating dual coverage, should it occur. If the person were sent by the country employing him to work in the other country, he would remain covered under the laws of the sending

(i) A person in the Government service of one Contracting State who is sent to work within the territory of the other Contracting State shall be subject to the laws of only the first Contracting State in respect of that service;

(ii) A person hired locally to work in the Government service of one Contracting State within the territory of the other Contracting State shall be subject to the laws of only the other Contracting State in respect of that service.

country and be exempt from coverage in the host country. If the person were present in one country at the time he was hired to work in the Government service of the other country, he would be covered only under the laws of the country in which he was hired and not of the country in whose service he is employed.

(c) For the purposes of this paragraph, "Government service" means,

(i) as regards the United States, service in the employ of the Government of the United States or any instrumentality thereof;

(ii) as regards Canada, service in the employ of the Government of Canada or a Province of Canada or a Canadian municipality.

Article V(4)(c) provides the definition of "Government service" to be used in applying Article V(4). For the United States, the term "Government service" includes only employment for the Federal Government or its instrumentalities. For Canada, on the other hand, the term includes service for any governmental entity, regardless of the level.

(5) Where, but for this Article, a person would be covered under United States laws as well as under the Canada Pension Plan in respect of employment as an officer or member of the crew on a ship or aircraft, that person shall, in respect of that employment, be subject only to the Canada Pension Plan if that person is a resident of Canada, and only to United States laws in any other case.

Under Article V(5), a person employed on a ship or aircraft who would otherwise be covered under the laws of both countries will be covered only under the laws of Canada if he resides in Canada. A person not resident in Canada will be covered only under U.S. laws.

(6) Where, but for this Article, a person would be covered under the laws of both Contracting States in re-

Article V(6) applies to persons whose earnings from self-employment would be subject to compulsory cover-

spect of earnings from self-employment, that person shall, in respect thereof, be subject only to the laws of Canada if that person is considered to be resident in Canada for the purposes of the relevant provisions of those laws, and only to United States laws in any other case.

(7) Where, but for this Article, a person would be covered under the laws of both Contracting States in respect of an activity that is considered to be self-employment by one of the Contracting States and employment by the other Contracting State, that activity shall be treated according to the provisions of this Article respecting self-employment if the person is a resident of the first Contracting State and according to the provisions of this Article respecting employment in any other case.

age under the laws of both countries. A self-employed Canadian resident whose earnings would otherwise be dually covered will be covered only under the laws of Canada. A dually covered person not resident in Canada will be covered only under U.S. laws. This provision will primarily affect self-employed U.S. citizens who reside in Canada. In the absence of an agreement, such persons would be covered under Canadian law because they reside there and could also be covered under U.S. law because they are U.S. citizens.

Article V(7) is intended to eliminate dual coverage in cases where the activity in question is considered self-employment under the laws of one country and employment under the laws of the other and is compulsorily covered by both countries. Under Article V(7) a person who is a resident of the country which considers him to be self-employed will be subject to the provisions of Article V(6) respecting self-employment. A person who is not a resident of the country which considers him to be self-employed will be subject to the provisions of Article V respecting employment—primarily Article V(1) and (2)—and would either be (a) covered under the laws of the country where the work is performed or (b) if the requirements of Article V(2) are met, covered under the laws of the country.

This provision will apply, for example, in the case of service as a minister of religion. Under U.S. law such service is generally covered compulsorily as self-employment. Canada covers such service, on the other hand, as employment. In the absence of this Agreement the service of such persons as ministers of religion could be cov-

(8) Where, by virtue of this Article, a person would be subject to the laws of Canada but coverage is not effected under those laws, the person shall be subject to United States laws.

(9) The Agreement shall not result in coverage under United States laws if those laws do not provide for the collection of contributions with respect to such coverage. Article V(1) shall apply when Article V(2) is not applicable as a result of the preceding sentence.

ered by both countries. Under the Agreement, such ministers are covered only by the United States if (1) they remain residents of the United States or (2) they are not residents of the United States but were required to work in Canada for a period not exceeding 60 months. On the other hand, if the minister is not a resident of the United States and does not meet the criteria of Article V(2), he would be covered only by CPP.

Article V(8) makes it clear that Canada will not cover persons who are subject to its laws under the preceding paragraphs of this Article if there is no authority under those laws to effect the coverage. Instead, such persons would be subject to U.S. laws and would be covered by U.S. Social Security provided they were performing services covered by the U.S. Social Security Act.

A drafting error in the 1977 law that authorized the United States to enter into international social security agreements has prevented the United States from imposing social security taxes on certain earnings which were covered by the U.S. Social Security system pursuant to an agreement. For this reason, it has been necessary to include a proviso such as Article V(9) in this and other U.S. agreements to make clear that the agreements would not result in U.S. coverge if there was no authority under U.S. laws to collect taxes with respect to that coverage. However, a provision in the recently enacted Social Security Amendments of 1983 authorizes the U.S. to collect Social Security taxes on earnings covered by a section 233 agreements, thus correcting the deficiency in the original 1977 legislation. With this change in the law, the proviso in Article V(9) becomes inoperative.

AGREEMENT

(10) Where a person covered under the laws of a Contracting State in accordance with this Agreement is also covered under the laws of the other Contracting State or a third State in accordance with the provisions of an agreement between a Contracting State and a third State, the Competent Authorities of the two Contracting States may agree to exclude the person from the application of this Agreement.

(11) The Competent Authorities of the two Contracting States may, by common agreement, make exceptions in the application of this Article in respect of any person or category of persons.

(12) The application of this Article shall be subject to such rules as the Competent Authorities of the two Contracting States may prescribe through arrange-

ANNOTATIONS AND COMMENTS

Both the United States and Canada have concluded international social security agreements with a number of other countries. Although it should not happen frequently, it is at least theoretically possible for an individual to be covered under the social security systems of more than one country by operation of the coverage provisions of this Agreement and another agreement. Under Article V(10), the Competent Authorities of the United States and Canada could agree to exclude such an individual from the application of this Agreement if necessary to eliminate the dual coverage. For example, a conflict could arise between this Agreement and the agreement between the United States and Italy if an Italian national were sent from Canada to the United States by an Italian employer. Should this occur, the U.S. and Canadian Competent Authorities could resolve the conflict by permitting the coverage provisions of the U.S-Italian agreement to take precedence.

Under Article V(11), either country may grant an exception to the coverage rules set forth in this Article, provided that the other country agrees. Such an exception may be granted on behalf of an individual worker or on behalf of all workers employed under similar circumstances, e.g., in the same profession or for the same employer. It is understood that an exception made under this paragraph would not prevent an individual from being subject to the laws of one of the two countries.

Article V(12) provides authority for the Competent Authorities to prescribe rules for implementing the coverage provisions of Article V.

ments made pursuant to Article XII(a) of this Agreement.

Article VI

(1) Except as otherwise provided in this Article, where a person referred to in Article V(2) is subject to the laws of Canada, or the comprehensive pension plan of a province, during any period of residence in the territory of the United States, that period of residence, in respect of that person, his spouse and dependants who reside with him and who are not employed or self-employed during that period, shall be treated as a period of residence in Canada for the purposes of the Old Age Security Act.

(2) Any calendar quarter during which a spouse or a dependant of a person referred to in Article V(2) is credited with a period of coverage under United States laws shall not be counted as residence in Canada for the purposes of the Old Age Security Act.

The coverage rules of Article V of the Agreement generally regulate an employee's coverage status based on his place of employment or the place from which the employee has been sent by his employer. Since the Canadian OAS program (see annotation to Article VIII) provides benefits based on the duration of a person's Canadian residence, rather than work, Article VI is needed to insure coordinated application of the Canadian programs. In general, a worker covered as a result of the Agreement under the CPP or comparable provincial plan will also receive OAS credit for Canadian residence regardless of his actual place of residence.

Under Article VI(1), a worker temporarily transferred to work in the United States who is covered under the CPP or a comparable provincial plan will continue to receive residence credits under the OAS program during his stay in the United States. In addition, the worker's spouse and dependants who reside with him during such a temporary period of residence in the United States will also receive residence credits under the OAS program unless they are employed or self-employed.

Article VI(2) expands upon Article VI(1), making it clear that the spouse or dependant who resides with a worker temporarily transferred to work in the United States will not receive residence credits under the OAS program for any calendar quarter the spouse or depen-

(3) Except as otherwise provided in this Article, where a person referred to in Article V(2) is subject to United States laws during any period of residence in the territory of Canada, that period, in respect of that person, his spouse and dependants who reside with him and who are not employed or self-employed during that period shall not be treated as residence in Canada for the purposes of the Old Age Security Act.

(4) Except as otherwise provided in this Article, periods during which the spouse or dependant referred to in paragraph (3) of this Article is contributing to the Canada Pension Plan or the comprehensive pension plan of a province as a result of employment or self-employment shall be treated as periods of residence in Canada for the purposes of the Old Age Security Act.

(5) Except as otherwise provided in this Article, any person who resides in the United States, is employed in Canada and is subject to the Canada Pension Plan or the comprehensive pension plan of a province shall be credited with one year of residence under the Old Age Security Act for each year of contributions under the Canada Pension Plan or the comprehensive pension plan of a province.

dant is credited with a quarter of coverage under U.S. laws.

Under Article VI(3), a worker temporarily transferred to work in Canada who resides in Canada but remains subject to U.S. laws in accordance with Article V(2) will not receive credit for such periods of residence under the OAS program. Likewise, the worker's spouse and dependants who reside with him will not receive residence credits under the OAS program unless they are employed or self-employed.

Article VI(4) provides that the spouse or dependant who resides with a worker temporarily transferred to work in Canada will receive residence credits under the OAS program for any period during which the spouse or dependant is contributing to the CPP or a comparable provincial plan.

The vast majority of persons who work in Canada also reside there, enabling them to qualify for both earnings-related CPP benefits (or benefits under a comparable provincial plan such as QPP) and residence-based OAS benefits upon retirement. The combined benefits payable under these two programs are generally comparable to a retirement benefit payable under the unitary U.S. system. Prior to the Agreement, U.S. border workers—persons who live in the United States but who are employed across the border in Canada—received only partial social security protection under Canada's two-tier system. Although their work in Canada

(6) If a person referred to in paragraph (4) or (5) of this Article performs services which are covered as employment or self-employment under United States laws and simultaneously performs other services which are covered as employment or self-employment under the Canada Pension Plan or a comprehensive pension plan of a province, that period of employment or self-employment shall not be treated as a period of residence for the purposes of the Old Age Security Act.

was covered under CPP (or QPP) they received no residence credits under the OAS program since they did not reside in Canada. This meant that while they could qualify for a CPP (or QPP) benefit upon retirement, they could not become entitled to an old age benefit under OAS. Article V(5) is intended to fill this gap in protection by permitting U.S. border workers to accrue OAS residence credits. Under this provision, a person who resides in the United States but who works in Canada will receive credit for 1 year of residence under OAS for each year of contributions under CPP (or a comparable provincial plan such as QPP). Although a person must ordinarily be a resident of Canada at the time he files for OAS benefits, it is understood that persons who receive OAS residence credits in accordance with this provision will be deemed residents of Canada at the time of filing.

Under Article VI(6), if a U.S. border worker or the dependant of an employee temporarily transferred to Canada would have qualified under Article VI(4) or (5) for OAS residence credits based on work covered under CCP (or QPP), those OAS credits would not be granted for any period during which the border worker or dependant was also performing work covered under U.S. law.

AGREEMENT

PART III

PROVISIONS ON BENEFITS

CHAPTER 1

PROVISIONS APPLICABLE TO THE UNITED STATES

Article VII

(1) Where a person has completed at least six quarters of coverage under United States laws, but does not have sufficient quarters of coverage to satisfy the requirements for entitlement to benefits under United States laws, periods of coverage completed under the Canada Pension Plan shall be taken into account to the extent they do not coincide with calendar quarters already credited as quarters of coverage under United States laws.

(2) In determining eligibility for benefits under paragraph (1) of this Article, the agency of the United States shall credit four quarters of coverage for every year of contributions under the Canada Pension Plan certified as creditable by the agency of Canada; however, no quarter of coverage shall be credited for any calendar quarter already credited as a quarter of coverage under United States laws. The total number of quarters of coverage to be credited for a year shall not exceed four.

ANNOTATIONS AND COMMENTS

Part III establishes the basic rules for determining entitlement to and the amount of U.S. and Canadian benefits.

Article VII contains rules for determining U.S. benefit eligibility and amounts in the case of people who have periods of social security coverage in Canada and at least six quarters of coverage in the United States, but who do not have enough U.S. coverage to quality for U.S benefits. In such cases, the Social Security Administration, in accordance with Article VII(1), will take into account any periods of Canadian coverage credited under the Canada Pension Plan insofar as they do not coincide with quarters of coverage credited under U.S. laws.

Article VII(2) establishes the procedure to be followed in converting periods of coverage under the Canadian system into equivalent periods under the U.S system. Periods of coverage under the U.S system are measured in terms of calendar quarters while Canadian periods of coverage are measured in years. Beginning in 1978, U.S. quarters of coverage are based on the amount of a person's annual earnings (e.g., for 1983, $370 in earnings equals one quarter of coverage). Canada credits a year of coverage once a person's annual earnings exceed a

(3) Where entitlement to a benefit under United States laws is established according to the provisions of paragraph (1) of this Article, a pro rata primary insurance amount shall be computed based on the ratio of the total periods of coverage completed under United States laws to the total periods of coverage completed under the laws of the two Contracting States. Benefits payable under United States laws on the basis of an earnings record where a pro rata primary insurance amount has been computed shall be paid on the basis of that pro rata primary insurance amount.

minimum level called the "Year's Basic Exemption" which is $1,800 in 1983.

The Canadian agency will certify to the Social Security Administration the number of years of coverage credited to the person under the Canadian system. SSA will then credit four quarters of coverage for each year of Canadian coverage to the extent the calendar quarters in such years do not coincide with quarters of coverage already credited under the U.S. system.

Article VII(3) describes the method of computing U.S. benefits on the basis of totalization, i.e., where entitlement is established based on combined U.S. and Canadian coverage. As stipulated in Article VII(1), persons who qualify for U.S. benefits based on their U.S. coverage alone are not eligible for totalization benefits from the United States.

The computation method described by Article VII(3) is the one which the U.S. has used in all its social security agreements which have been implemented to date. Under this method, the United States first computes a theoretical primary insurance amount (PIA) by applying its regular benefit computation provisions to the total periods of coverage completed under the laws of both countries, taking into account the total amount of covered U.S. earnings and the dollar equivalent of covered Canadian earnings. The theoretical PIA is then prorated, for purposes of determining the amount of the U.S. payment, on the basis of the ratio of periods of coverage completed under U.S. law to the total periods completed under the laws of both counties.

The current computation method has caused serious administrative problems and significant delays in proc-

(4) Entitlement to a benefit from the United States which results from paragraph (1) of this Article shall terminate with the acquisition of sufficient periods of coverage under United States laws to establish entitlement to an equal or higher benefit without the need to invoke the provisions of paragraph (1) of this Article.

essing claims for U.S. totalization benefits under prior agreements, primarily because it requires SSA to obtain a record of a worker's earnings in the other country in order to compute the totalization benefit amount. For this reason, a U.S.-Canadian Supplementary Agreement has been concluded which authorizes the United States to compute totalization benefits under a new method based on periods of coverage and earnings credited exclusively under U.S. laws. Since the U.S.-Canadian Agreement and Supplementary Agreement are not expected to enter into force until after U.S. regulations implementing the new method have been promulgated, it is unlikely that the current method described in Article VII(3) will be used to compute U.S. benefits under this Agreement. For more on the new computation method, see the annotation to Article 1 of the Supplementary Agreement.

Article VII(4) provides that where insured status under U.S. law is acquired after entitlement based on totalization, and an equal or higher benefit is payable without totalization, SSA will no longer provide a benefit based on totalization but provide the benefit based on U.S. coverage alone.

CHAPTER 2

PROVISIONS APPLICABLE TO CANADA

Canada provides old-age, survivors, and disability benefits through two separate programs—the Old Age Security Program (OAS) and the Canada Pension Plan (CPP)—which together make up what is often described as a two-tier social security system. Old Age Security, the first tier, is a noncontributory program applicable in all of Canada which pays old-age benefits and certain income-tested supplements to all residents in proportion to the number of years they have resided in Canada. The Canada Pension Plan constitutes the second tier and is a contributory, earnings-related program applicable throughout Canada, except in the Province of Quebec. Under a constitutional prerogative, Quebec has established its own second-tier program, the Quebec Pension Plan (QPP), which is, in all major respects, similar to the CPP.

Under the terms of Articles VIII and IX, Canada will combine U.S. quarters of coverage with periods of residence credited under the OAS program if necessary to establish a person's right to receive an OAS benefit. Also, under the terms of Article XI, Canada will combine U.S. quarters of coverage with years of coverage credited under the CPP if necessary to establish a person's right to receive certain CPP benefits. Special arrangements necessary to coordinate OASDI and QPP are contained in a separate understanding, as provided for in Article XX.

AGREEMENT

Article VIII

(1) In this Article, "pension" means a monthly pension under Part I of the Old Age Security Act.

ANNOTATIONS AND COMMENTS

Three types of benefits are payable under the Old Age Security Program: an old-age pension, a spouse's allowance and a guaranteed income supplement. The spouse's allowance and the guaranteed income supplement are payable only in cases where entitlement to an old-age pension has been established, and only to persons residing in Canada. The OAS program does not pay disability or death benefits or benefits for dependants.

Under Canadian law the old-age pension is payable to persons aged 65 or over if they are Canadian citizens or legal residents immediately prior to entitlement and meet certain duration-of-residence requirements. Under Article VIII a person will be able to combine U.S. periods of social security coverage with his years of Canadian residence to meet the duration-of-residence requirements.

A person entitled to an old-age pension who leaves Canada continues to receive the pension for only the month of departure and the 6 succeeding months unless he has resided in Canada for a total of 20 years after age 18. Under the Agreement, a person's U.S. coverage and Canadian residence may be combined to meet the 20-year requirement if the person is in the United States.

The guaranteed income supplement is an income-tested benefit payable to OAS pensioners with little or no income besides their old-age pension. Entitlement to and the amount of the supplement is based on the pen-

sioner's total income. The guaranteed income supplement is payable outside Canada for only 6 months following the month a person leaves Canada. A person who becomes entitled to an old-age pension based on the Agreement will be entitled to the guaranteed income supplement under the same rules as a person who becomes entitled to an old-age pension without recourse to the Agreement.

Like the guaranteed income supplement, the spouse's allowance is an income-tested benefit. It is payable between the ages of 60 and 65 to the spouses of old-age pensioners, but only if the pensioners are in receipt of the guaranteed income supplement. In order to qualify for the spouse's allowance, the spouse must meet the same duration-of-residence requirements that apply to the old-age pension. The spouse's allowance is payable if the annual combined income of the couple from sources other than OAS benefits is less than a specified amount; the amount of the allowance is adjusted depending on the other income available to the couple. If either the spouse or the pensioner is outside Canada for more than 6 months, the spouse's allowance is suspended. Under Article IX a person may become entitled to a partial spouse's allowance based on combined U.S. coverage and Canadian residence.

Article VIII(1) makes it clear that the provisions of this Article apply to the old-age pension which is provided for under Part I of the Old Age Security Act, but not to the guaranteed income supplement or spouse's allowance. The Article does not apply to the guaranteed income supplement, because a person receiving an OAS benefit based on totalized credits will be entitled to the

(2)(a) If a person is entitled to a pension under paragraph 3(1)(a) or (b) of the Act, the totalization provisions of subparagraphs (3)(a) and (b) of this Article may be used, if necessary, to accumulate the required 20 years of residence in Canada for payment of a pension in the United States. Only a partial pension calculated in accordance with the Act may be paid.

guaranteed income supplement under the same rules as a person receiving a regular OAS benefit. Provisions of the Agreement concerning entitlement to a spouse's allowance are found in Article IX.

To be eligible to receive an old-age pension outside of Canada, a person must have resided in Canada for at least 20 years. Article VIII(2) provides that a person entitled to an old-age pension may use U.S. coverage if necessary to meet the 20-year requirement for benefit exportability.

At present, entitlement to and the amount of old-age pension is determined under two sets of rules. The old rules, contained in paragraph 3(1)(a) or (b) of the Old Age Security Act, are being phased out. A person must have been age 25 or older on July 1, 1977 to be entitled to have old-age pension computed under the old rules. The new rules, enacted in 1977 as subsection 3(1.1) of the Old Age Security Act, are applicable to everyone not entitled to a computation under the old rules.

Under the old rules, a person is either entitled to the full old-age pension or not entitled at all. The full old-age pension is payable to a person having as little as 10 years of residence in Canada, if those 10 years immediately preceded age 65. Under the new rules, a person who has resided in Canada for a total of at least 10 years after age 18 may become entitled to an old-age pension payable at a rate of 1/40 of the full pension for each year of Canadian residence. Thus, a full pension is payable if a person has resided in Canada for at least 40 years. A minimum pension equal to 1 1/40 of the full pension is payable to a person who just meets the minimum 10-year residence requirement.

(b) If a person is entitled to a partial pension under subsection 3(1.1) of the Act, that pension may be paid in the United States if the periods totalized according to subparagraphs (3) (a) and (b) of this Article equal not less than 20 years.

(3)(a) If a person is not entitled to a pension under the Old Age Security Act because of insufficient periods of residence, entitlement to a pension may be determined by totalizing periods of residence in Canada on or after January 1, 1952 and after the attainment of age 18, and periods of coverage under United States laws as specified in subparagraph (3)(b) of this Article, but where the periods coincide, only one period shall be counted.

Under Article VIII(2)(a), a person in the United States who qualifies for a full old-age pension under the old rules but who otherwise would not receive the pension because he has less than 20 years of residence in Canada may have his U.S. coverage and Canadian residence combined to meet the 20-year requirement. However, where totalization is required to meet the 20-year requirement, only a partial pension recalculated under the new rules would be paid.

Article VIII(2)(b) makes it clear that a person in the United States who is entitled to a partial old-age pension under the new rules may have his U.S. coverage and Canadian residence combined to meet the 20-year requirement for exportability of the old-age pension. The amount of the partial pension would not be affected by using the totalization provisions of Article VIII(3).

Article VIII(3) describes how periods of U.S. coverage and Canadian residence may be combined to determine entitlement to a Canadian old-age pension. Article VIII(3)(a) stipulates that where a person has insufficient periods of residence in Canada to become entitled to an old-age pension, Canada will add U.S. quarters of coverage to periods of Canadian residence in determining whether the person meets the 10-year residence requirement for payment of a partial old-age pension; Canada will not count quarters of coverage which coincide with periods of residence already credited under Canadian law.

The present OAS program became effective on January 1, 1952. Consequently, Canada will not credit periods of U.S. coverage occurring prior to that date in determining entitlement to OAS benefits under the

(b) For the purposes of establishing entitlement to a pension by means of totalization, a quarter of coverage under United States laws on or after January 1, 1952 and after the attainment of age 18, shall be counted as three months of residence in Canada.

(c) The agency of Canada shall calculate the amount of the pro-rated pension at the rate of 1/40th of the full pension for each year of residence in Canada which is recognized as such in subparagraph (3)(a) of this Article or deemed as such under Article VI of this Agreement.

(4) If the total duration of the periods of residence completed in Canada in accordance with subparagraph (3)(a) of this Article or Article VI of this Agreement is less than one year, the agency of Canada shall not pay a pension in respect of those periods.

Agreement. Further, since only periods of residence occurring after a person's 18th birthday are credited toward an OAS benefit, Canada will not count U.S. coverage earned prior to the person's 18th birthday.

Article VIII(3)(b) specifies that each quarter of coverage earned after 1951 and after the claimant's 18th birthday will be considered equivalent to 3 months of residence in Canada under the Old Age Security Act. The Canadians will divide a person's total U.S. quarters of coverage by four to arrive at the number of years of residence to be credited for eligibility purposes under the Old Age Security Act.

Article VIII(3)(c) describes the method Canada will use in calculating the amount of an old-age pension based on totalization. Although Canada will add U.S. quarters of coverage to Canadian residence for entitlement purposes, only actual Canadian residence or periods which are deemed to be Canadian residence under Article VI of the Agreement will be used in calculating the amount of an old-age pension. For each year of Canadian residence, Canada will pay 1/40 of the full old-age pension.

Article VIII(4) stipulates that the totalization provisions of Article VIII(3) may only be used if a person has at least 1 year of actual Canadian residence or periods deemed to be Canadian residence in accordance with Article VI.

Article IX

(1) In this Article, "spouse's allowance" means a partial spouse's allowance under Part II.1 of the Old Age Security Act.

(2) If a person is not entitled to a spouse's allowance under the Act because of insufficient periods of residence, entitlement to a spouse's allowance may be determined by totalizing periods of residence in accordance with subparagraph (3)(a) of Article VIII and periods of coverage under United States laws in accordance with subparagraph (3)(b) of Article VIII, but where the periods coincide, only one period shall be counted.

Like the old-age pension, entitlement to and the amount of the spouse's allowance is determined under two sets of rules. Article IX(1) provides that only a partial spouse's allowance payable under the new rules as set forth in Part II.1 of the Old Age Security Act will be payable under the Agreement.

Under Article IX(2) Canada will combine U.S. coverage with periods of Canadian residence so that persons who do not meet the minimum residence requirements may become eligible for a partial spouse's allowance. A totalized partial spouse's allowance will be computed in accordance with the provisions of Article VIII(3); Canada will not count quarters of coverage which coincide with periods of residence already credited under Canadian law.

Article X

Article IV of this Agreement does not affect the provisions of the Old Age Security Act governing the payment of the guaranteed income supplement and the spouse's allowance to persons not resident in Canada.

Article X makes it clear that the exportability provisions of Article IV will not affect the payment of the guaranteed income supplement and the spouse's allowance to persons not resident in Canada. Payment of the supplement and the allowance to a person outside of Canada is limited to 6 months following the month he leaves Canada, regardless of his nationality or the number of years of Canadian residence with which he has been credited. The Agreement will have no effect on those rules.

AGREEMENT

Article XI

(1) In this Article, "benefit" means

(a) an orphan's benefit or a disabled contributor's child's benefit,

(b) a death benefit,

(c) a disability pension, or

(d) a survivor's pension payable under the Canada Pension Plan.

ANNOTATIONS AND COMMENTS

Article XI(1) lists the types of benefits payable under the Canada Pension Plan (CPP) for which eligibility may be acquired in accordance with the totalization provisions of this Article.

The Canada Pension Plan, which went into effect on January 1, 1966, pays retirement, survivors and disability benefits based on the length of a person's working career and the level of the person's average earnings. All CPP benefits are payable outside Canada with no restrictions. Benefits are adjusted annually to reflect increases in prices.

Under CPP, retirement pensions are payable to contributors 65 years of age and over, whether or not they continue to work and receive earnings. A retirement pension may be paid based on as little as one CPP contribution (i.e., 1 year in covered employment or self-employment during which the person earned above a specified minimum amount). Because of this immediate vesting, no provision has been made in the Agreement for totalization for purposes of entitlement to a CPP retirement benefit.

A retirement pension is equal to 25 percent of a worker's average monthly covered earnings during his contributory period (a period beginning January 1, 1966 or at age 18—whichever is later—and ending when the person reaches age 65, becomes disabled or dies—whichever is earlier). Actual earnings are indexed to take account of increases in wages before a benefit is computed.

Disability benefits are payable to persons between the ages of 18 and 65 who meet minimum coverage requirements and have a physical or mental impairment which prevents substantial gainful activity and is likely to be of long continued and indefinite duration or result in death. To meet the minimum coverage requirements, a person must have: (1) contributions in ⅓ of the calendar years in the person's contributory period but not less than 5 years and, if the person's contributory period exceeds 10 years, contributions in 5 of the last 10 years in the contributory period; or (2) contributions in at least 10 years and in 5 of the last 10 years in the contributory period.

Contributors who qualify for disability benefits receive a monthly pension consisting of a flat-rate component and an earnings-related component. The earnings-related component is 75 percent of the retirement pension calculated as if the recipient had reached age 65. Disabled contributor's child's benefits are payable to the dependent children of the disabled contributor who have never married and who are under age 18, or under age 25 and in school full time. Each eligible child receives benefits equal to the flat-rate component of the CPP disability benefit.

Survivors benefits are payable to the surviving spouse age 35 or over of a deceased contributor and to surviving children under age 18, or under age 25 and in school full time. In addition, a lump sum death benefit is payable to the estate of a deceased contributor. In order for survivors or death benefits to be payable, the deceased contributor must have made CPP contributions in ⅓ of the years in his contributory period but

(2) If a person is not entitled to a benefit because of insufficient periods of coverage under the Canada Pension Plan, entitlement to the benefit may be determined by totalizing periods of coverage under the laws of both Contracting States in accordance with para-

not less than 3 years. No more than 10 years is ever required.

The computation of a survivor's benefit varies depending on the age and circumstances of the surviving spouse. An entitled surviving spouse age 65 or over receives 60 percent of the deceased contributor's retirement pension calculated as if the deceased had reached age 65. Surviving spouses age 45 to 65, or age 35 to 45 and disabled, or with dependent children in their care receive the flat-rate component of the CPP disability pension plus 37.5 percent of the deceased's retirement pension. Surviving spouses age 35 to 45 who are not disabled and have no dependent children in their care have their benefits computed in the same manner as other surviving spouses in the same age bracket, except that the pension is reduced by $\frac{1}{120}$ for each month the survivor is under age 45 at the time of the contributor's death. Children of the deceased contributor who are under age 18, or under age 25 and in school, are each entitled to orphan's benefits equal to the flat-rate component of the CPP disability benefit.

The lump sum death benefit is equal to 6 times the monthly retirement benefit of the deceased or 10 percent of the maximum taxable earnings base, whichever is less.

Under Article XI(2), Canada will combine U.S. coverage with periods of coverage under the Canada Pension Plan in determining whether a person meets the minimum coverage requirements for disability, survivors or death benefits. Canada will not count quarters of cover-

graph (3) of this Article, to the extent that they do not coincide.

(3)(a) Subject to the provisions governing the contributory period under the Canada Pension Plan, to establish entitlement to a benefit by means of totalization, a year in which at least one quarter of coverage is credited under United States laws shall be deemed to be a year in which contributions were made under the Canada Pension Plan.

(b) The agency of Canada shall calculate the earnings-related portion of the benefit directly and exclusively on the basis of the periods of coverage completed under the Canada Pension Plan.

(c) The amount of the flat-rate benefit under the Canada Pension Plan is the amount obtained by multiplying:

(i) the amount of the flat-rate benefit determined under the provisions of the Canada Pension Plan; by

age which coincide with periods of coverage already credited under Canadian laws. Article XI(3) specifies the rules to be used by Canada in calculating the amount of a benefit based on totalized credits.

Article XI(3)(a) specifies that a year in which at least one quarter of coverage is credited under U.S. laws will be considered a year of contributions to the CPP for the purposes of determining entitlement to a CPP benefit. In accordance with the provisions governing the contributory period under the CPP, Canada will not credit U.S. quarters of coverage earned prior to the person's 18th birthday or after the end of the person's contributory period. In addition, Canada will not credit any U.S. coverage earned prior to the effective date of its laws, January 1, 1966.

Article XI(3)(b) describes how Canada will calculate the earnings-related portion of benefits which are payable based on combined U.S. and Canadian credits. Although Canada will use U.S. coverage for entitlement to CPP death benefits and disability and survivors benefits, in calculating the amount of these benefits Canada will consider only actual contributions to CPP.

Article XI(3)(c) specifies the procedures Canada will use to prorate a flat-rate CPP benefit or the flat-rate component of a CPP benefit when U.S. coverage is needed to meet the minimum coverage requirements for entitlement to a benefit. Since only that portion of a person's U.S. coverage will be considered as is needed to gain eligibility, the formula for determining the amount of the pro rata flat-rate benefit will be:

(ii) the ratio that the periods of coverage under the Canada Pension Plan represent in relation to the total of the periods of coverage under the Canada Pension Plan and of only those periods of coverage under United States laws required to satisfy the minimum requirements for entitlement under the Canada Pension Plan.

Actual years of CPP coverage divided by actual years of CPP coverage plus sufficient U.S. coverage to meet required CPP minimum multiplied by flat-rate component

This procedure will be used in calculating the disabled contributor's child's benefit, orphan's benefit and the flat-rate portions of the disability and survivors benefits.

PART IV

Miscellaneous Provisions

Article XII

The Competent Authorities of the two Contracting States shall:

(a) Conclude an Administrative Arrangement and make such other arrangements as may be necessary for the application of this Agreement;

(b) Communicate to each other information concerning the measures taken for the application of this Agreement; and

(c) Communicate to each other, as soon as possible, information concerning all changes in their respective laws which may affect the application of this Agreement.

Article XII lists several duties of the Competent Authorities under the Agreement. It obligates them to negotiate an Administrative Arrangement for the implementation of the Agreement. This provision serves as authority for Canada to conclude the accompanying administrative arrangement without parliamentary review. The Competent Authorities are also obligated to conclude any other arrangements that may be necessary to implement the present Agreement. The Article also requires them to notify each other of the measures they have taken unilaterally to implement the Agreement, as well as any changes in their social security laws.

Article XIII

The Competent Authorities and agencies of the Contracting States, within the scope of their respective au-

Article XIII provides authority for the social security agencies of the two countries to assist each other in ad-

thorities, shall assist each other in implementing this Agreement.

ministering the Agreement. Such assistance would include the taking of applications and the gathering and exchange of information relevant to claims filed under the Agreement.

Article XIV

(1) Where the laws of a Contracting State provide that any document which is submitted to the Competent Authority or an agency of that Contracting State shall be exempted, wholly or partly, from fees or charges, including consular and administrative fees, the exemption shall also apply to documents which are submitted to the Competent Authority or an agency of the other Contracting State in accordance with its laws.

If the laws of one country exempt certain documents submitted in connection with a social security claim from fees or charges, the exemption also applies if such documents are sent to the other country by or on behalf of a claimant or beneficiary.

(2) Copies of documents which are certified as true and exact copies by the agency of one Contracting State shall be accepted as true and exact copies by the agency of the other Contracting State, without further certification. The agency of each Contracting State shall be the final judge of the probative value of the evidence submitted to it from whatever source.

If the agency of one country certifies that a copy of a document it furnishes to the agency of the other country is a true and exact copy of an original document, the other country will accept this certification. The agency of each country will remain the final judge of the probative value of documents submitted to it from whatever source.

Article XV

(1) The Competent Authorities and agencies of the Contracting States may correspond directly with each other and with any person wherever the person may reside whenever it is necessary for the administration of this Agreement. The correspondence may be in the official languages of either Contracting State.

Article XV authorizes direct correspondence between the Competent Authorities and agencies of the two countries and between these bodies and any person with whom they may need to communicate. The U.S. Competent Authority and agency may correspond in English and the Canadian Competent Authority and agencies may correspond in English or French.

AGREEMENT	ANNOTATIONS AND COMMENTS
(2) No application or document may be rejected by a Competent Authority or an agency solely on the grounds that it is written in an official language of the other Contracting State.	The agencies of each country will accept applications or documents in either English or French.
Article XVI	
(1) A written application for benefits filed with an agency of one Contracting State shall protect the rights of the claimants under the laws of the other Contracting State if the applicant: (a) requests that it be considered an application under the laws of the other Contracting State; or (b) in the absence of a request that it not be so considered, provides information at the time of application indicating that the person on whose record benefits are claimed has completed periods of coverage under the laws of the other Contracting State.	Under Article XVI(1), a written application submitted to the agency of one country will protect a claimant's right to benefits under the laws of the other country as if the application had been presented in the other country, provided the applicant expresses an intent to file for benefits in the other country when the application is filed. Because an applicant may not be fully aware of benefit rights in the other country, Article XVI(1) also provides that in the absence of an expression of intent, the application will protect the claimant's rights in the other country if, at the time of filing, the applicant indicates that the person on whose record benefits are based had been covered under social security in the other country.
(2) An application for benefits under the laws of one Contracting State which is filed with the agency of the other Contracting State in accordance with paragraph (1) of this Article, shall be adjudicated by the agency of the first Contracting State under the applicable provisions of its laws.	Article XVI(2) makes it clear that an application for benefits from one country will be adjudicated under the applicable provisions of that country's laws even if such application is filed with the agency of the other country as provided for in Article XVI(1).
(3) An applicant may request that an application filed with an agency of one Contracting State be effective on a different date in the other Contracting State within	An applicant may specify that an application to one country be given a different effective date in the other country within the limits of the laws of the other coun-

the limitations of and in conformity with the laws of the other Contracting State.

(4) The provisions of Part III of this Agreement shall apply only to an application for benefits which is filed on or after the date this Agreement enters into force.

try. This provision could be of importance, for example, to people who wish to take advantage of delayed retirement credit provisions under the other country's laws.

Article XVI(4) requires that a person claiming benefits under the Agreement file an application either on or after the date the Agreement enters into force. If a person filed an application prior to this date, a new application is necessary.

Article XVII

(1) A written appeal of a determination made by the agency of one Contracting State may be validly filed with an agency of either Contracting State. The appeal shall be dealt with according to the appeal procedure of the laws of the Contracting State whose decision is being appealed.

(2) Any claim, notice or written appeal which, under the laws of one Contracting State, must have been filed within a prescribed period with the agency of that Contracting State, but which is instead filed within the same prescribed period with the agency of the other Contracting State, shall be considered to be filed on time and shall be forthwith transmitted to the agency of the first Contracting State.

Both the United States and Canada have formal procedures for appealing adverse determinations of their agencies. Under Article XVII(1), an appeal of a decision by an agency of one country may be filed with the agency of that country or with the agency of the other country.

Article XVII(2) provides that a claim, notice or appeal which must be filed within a given time limit with an agency of one country shall be considered to be filed on time if filed within such limit with an agency of the other country. The agency with which the claim, notice or appeal is filed shall transmit it without delay to the agency of the other country.

Article XVIII

Unless disclosure is required under the national statutes of a Contracting State, information about an individual which is transmitted in accordance with the Agreement to that Contracting State by the other Con-

Both the United States and Canada have statutes that provide strict safeguards for maintaining the confidentiality of information pertaining to individuals which is in the possession of their respective Govern-

tracting State is confidential and shall be used exclusively for the purposes of implementing this Agreement. Such information received by a Contracting State shall be governed by the national statutes of that Contracting State for the protection of privacy and confidentiality of personal data.

ments. In the United States these statutes include the Freedom of Information Act, the Privacy Act, the Tax Reform Act of 1976, the Government in the Sunshine Act, and pertinent provisions of the Social Security Act and other related statutes. Article XVIII provides that personal information pertaining to an individual which one country furnishes to the other under the Agreement will be protected in accordance with the applicable provisions of the other country's privacy and confidentiality laws.

PART V

TRANSITIONAL AND FINAL PROVISIONS

Article XIX

(1) No provision of this Agreement shall confer any right

(a) to receive a pension, allowance or benefit for a period before the date of the entry into force of the Agreement, or

(b) to receive a lump-sum death benefit if the person died before the entry into force of the Agreement.

(2) In the implementation of this Agreement, consideration shall also be given to periods of coverage and other events relevant to rights under the laws occurring before the entry into force of this Agreement, except that neither Contracting State shall take into ac-

Under Article XIX(1), benefits payable as a result of the Agreement will be paid only for periods beginning with the date on which the Agreement enters into force. Any lump-sum death payments provided by section 202(i) of the U.S. Social Security Act will be payable under the Agreement only if the death occurs on or after the date the Agreement enters into force.

Article XIX(2) provides that periods of coverage earned before the effective date of the Agreement, as well as other relevant events occurring before that date, will be taken into account in determining a person's benefit rights under the Agreement. However, nei-

count periods of coverage occurring prior to the effective date of its laws.

(3) Determinations made before the entry into force of this Agreement shall not affect rights arising under it.

(4) This Agreement shall not result in the reduction of benefit amounts because of its entry into force.

(5) The period of work referred to in the last sentence of Article V(2)(a) shall be measured beginning on or after the date on which this Agreement enters into force.

Article XX

The Competent Authority of the United States and the authorities of the provinces of Canada may conclude understandings concerning any social security legislation within the provincial jurisdiction insofar as those understandings are not inconsistent with the provisions of this Agreement.

ther country will consider periods of coverage credited prior to the earliest date for which periods of coverage may be credited under its laws.

A decision to award or deny a claim which was rendered prior to the effective date of the Agreement will not prevent a person from claiming benefits under the Agreement.

Although it is unlikely that other provisions of the Agreement would result in reduced benefit amounts, Article XIX(4) guarantees that benefits which are already being paid at the time the Agreement takes effect will not be reduced because of its entry into force.

Under Article V(2), an employee who is transferred from one country to work in the other country for a period of not longer than 60 months will continue to be covered under the social security system of the first country and will be exempt from coverage in the host country. Article XIX(5) provides that the 60-month period will be measured beginning on or after the date the Agreement enters into force. Thus, for persons to whom Article V(2) applies who were transferred to the other country before the effective date of the Agreement, that prior period will not be counted for purposes of the 60-month limit.

The Canada Pension Plan is applicable throughout Canada, except in the Province of Quebec which, under a constitutional prerogative, has established its own Quebec Pension Plan. As explained in the annotation to Article II(4), it is necessary to make certain special arrangements in order to include the Quebec Pension

Plan within the scope of this Agreement. These arrangements will be incorporated in a separate "understanding" which will constitute a part of the Agreement.

Article XXI

(1) This Agreement shall remain in force and effect until the expiration of one calendar year following the year in which written notice of its denunciation is given by one of the Contracting States to the other Contracting State.

(2) If this Agreement is terminated by denunciation, rights regarding entitlement to or payment of benefits acquired under it shall be retained; the Contracting States shall make arrangements dealing with rights in the process of being acquired.

Article XXI(1) provides for the Agreement to remain in effect until the expiration of 1 calendar year after the year notice of termination is given by one of the countries.

Article XXI(2) provides that, in the event of termination of the Agreement, a person will retain benefit rights acquired before termination; supplementary agreements would determine the extent to which each country would recognize benefit rights in the process of being acquired at the time of termination—for example, periods of coverage which had not yet resulted in fully insured status.

Article XXII

This Agreement shall enter into force on the first day of the second month following the month in which each Government shall have received from the other Government written notification that it has complied with all statutory and constitutional requirements for the entry into force of this Agreement.

Each country will follow its own constitutional procedures for approval of the Agreement. In Canada, the Agreement is subject to parliamentary review. In the United States, the Agreement must be presented to the Congress for a review period of 60 days during which at least one House of Congress has been in session as required by section 233(e) of the U.S. Social Security Act. The Agreement will enter into force on the first day of

the second calendar month after each Government has received formal notification of approval from the other Government.

In witness whereof, the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

Done in duplicate at Ottawa this 11th day of March 1981, in the English and French languages, each version being equally authentic.

For the Government of the United States of America:

(signed) ALEXANDER M. HAIG.

For the Government of Canada:

(signed) MARK MACGUIGAN.

Monique Begin.

ADMINISTRATIVE ARRANGEMENT FOR THE IMPLEMENTATION OF THE AGREEMENT ON SOCIAL SECURITY BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF CANADA, CONCLUDED ON MARCH 11, 1981

In conformity with Article XII(a) of the Agreement on Social Security between the Government of the United States of America and the Government of Canada, entered into on March 11, 1981, and hereinafter referred to as "the Agreement", the competent authorities:

—For the United States of America:
RICHARD S. SCHWEIKER,
Secretary of Health and Human Services.

—For Canada:
Madame MONIQUE BEGIN,
Minister of National Health and Welfare.

have agreed on the following provisions:

CHAPTER 1

GENERAL PROVISIONS

Paragraph 1

The following are designated as liaison agencies for the purposes of administering the Agreement and this Administrative Arrangement:

For the United States,
the Social Security Administration, and
For Canada,
Income Security Programs,
Department of National Health and Welfare.

The liaison agencies designated in Paragraph 1 have primary responsibility for implementing and administering the Agreement and Administrative Arrangement. Claims which are filed in one country for benefits from the other country will be forwarded to the liaison agency in the other country for processing. The Social Security Administration is the liaison agency for the United States. Income Security Programs, the Canadian agency comparable to SSA, is the liaison agency for Canada.

Paragraph 2

Terms used in this Administrative Arrangement have the same meaning as in the Agreement.

Paragraph 2 provides that terms used in both the Agreement and this Administrative Arrangement, whether defined in the Agreement or not, have the same meaning as in the Agreement.

Paragraph 3

The agencies of the Contracting States will agree upon joint procedures and forms necessary for the implementation of the Agreement and this Administrative Arrangement.

Paragraph 3 authorizes and requires the agencies of the United States and Canada to agree upon those procedures and forms which must be prepared jointly for the implementation of the Agreement and Administrative Arrangement. In accordance with Article 1(5) of the Agreement, the agency for the United States is the Social Security Administration and for Canada is either the Department of National Revenue-Taxation for matters related to contributions, or the Department of National Health and Welfare for all other matters.

ADMINISTRATIVE ARRANGEMENT

CHAPTER 2

PROVISIONS ON COVERAGE

Paragraph 4

1. Where the laws of a Contracting State are applicable in accordance with Article V of the Agreement, the agency of that Contracting State will issue, in accordance with rules and procedures to be agreed upon by the agencies of the two Contracting States and at the request of an employer, employee or self-employed person, a certificate stating that the concerned employee or group of employees or self-employed person is covered by those laws. The certificate will be evidence that the employee, group of employees or self-employed person is exempt from the laws on compulsory coverage of the other Contracting State.

2. The certificate referred to in subparagraph 4.1 will be issued
—In the United States: By the Social Security Administration; and
—In Canada: By the Accounting and Collections Division, Department of National Revenue-Taxation.

ANNOTATIONS AND COMMENTS

Paragraph 4 establishes procedures pursuant to Article V of the Agreement for the elimination of dual social security coverage and taxation of the same work under the systems of both the United States and Canada.

Under Paragraphs 4.1 and 4.2, the agency of the country whose social security coverage laws will continue to apply to a person will issue a certificate to that effect when requested to do so by a worker, the worker's employer or a self-employed person. When presented to the appropriate agency of the other country, the certificate will establish the basis for the exemption of the person from the coverage laws of that country.

Chapter 3

Provisions on Benefits

Paragraph 5

1. The liaison agency of the Contracting State with which an application for benefits is first filed in accordance with Article XVI of the Agreement will inform the liaison agency of the other Contracting State of this fact without delay, using forms established for this purpose. It will also transmit documents and such other available information as may be necessary for the liaison agency of the other Contracting State to establish the right of the applicant to benefits according to the provisions of Part III of the Agreement. In the case of an application for disability benefits, it will, in particular, transmit relevant medical evidence in its possession concerning the disability of the applicant.

2. The liaison agency of a Contracting State which receives an application filed with the liaison agency of the other Contracting State will, without delay, provide the liaison agency of the other Contracting State with such evidence and other available information as may be required to complete action on the claim.

3. The liaison agency of the Contracting State with which an application for benefits has been filed will verify the accuracy of the information pertaining to the applicant and his family members. The types of information to be verified will be agreed upon by the liaison agencies.

Paragraphs 5.1 and 5.2 outline the procedures to be followed by both countries for the exchange of pertinent information needed to process claims filed under the Agreement.

Both U.S. and Canadian laws require that certain information about individuals claiming benefits be verified (e.g., age and family relationship to the worker) before the claim can be approved. Paragraph 5.3 provides that when a claim for benefits under the Agreement is filed in one country, the liaison agency of that country will verify the relevant information and inform the liaison agency of the other country of its findings.

ADMINISTRATIVE ARRANGEMENT

Paragraph 6

1. In the application of Article VII of the Agreement, the Canadian liaison agency will notify the United

ANNOTATIONS AND COMMENTS

The liaison agencies will agree upon the specific types of information which must be verified. The purpose of this provision is to expedite the claims process by avoiding the duplication of effort which would result if the liaison agencies of both countries were required to verify the same information. Although a liaison agency may accept the findings of the other liaison agency concerning the accuracy of information, it may at its discretion request documentary evidence to support those findings.

A Supplementary Agreement concluded after the signing of the principal Agreement and this Administrative Arrangement authorizes the United States to use a simplified method of computing totalization benefits. The Supplementary Agreement amends the benefit provision in Article VII(3) of the principal Agreement and also makes conforming changes in Paragraph 6 of this Administrative Arrangement. Under Article 2 of the Supplementary Agreement, Paragraphs 6.2 and 6.3 of the Administrative Arrangement would be deleted. The computation procedures set forth in Paragraphs 6.2 and 6.3 are adequately dealt with in existing U.S. Social Security regulations and their retention could create confusion in the context of the new computation method. Paragraph 6.1, which is retained under the Supplementary Agreement, would be redesignated as Paragraph 6. See the annotations to the Supplementary Agreement for a full discussion of the new computation method.

Paragraph 6.1, which becomes Paragraph 6 pursuant to Article 2 of the Supplementary Agreement, provides

States liaison agency of the years in which a person is credited with coverage under the Canada Pension Plan along with such other information as may be necessary to determine the amount of the person's benefit.

2. Benefits awarded by the liaison agency of the United States under Article VII of the Agreement will be recomputed in accordance with United States laws to take account of additional periods of coverage completed under the laws of either Contracting State. An application for such a recomputation will be required only where the additional periods of coverage have been completed under Canadian laws.

3. Periods of coverage completed after the last computation base year provided under United States laws will not be considered in determining the ratio referred to in Article VII(3) of the Agreement.

Paragraph 7

In the application of Chapter 2 of Part III of the Agreement, the United States liaison agency will notify the Canadian liaison agency of the periods of coverage which a person has completed under United States laws, along with such other information as may be necessary to determine the amount of the person's benefit.

that where totalization is necessary to establish a person's right to benefits in accordance with Article VII of the Agreement, the Canadian liaison agency will furnish the U.S. liaison agency a record showing the years in which the person is credited with coverage under the Canada Pension Plan. The Canadian liaison agency will also provide such other information as the U.S. liaison agency may require to compute the amount of the person's benefit.

See annotations to the Supplementary Agreement.

See annotations to the Supplementary Agreement.

Paragraph 7 provides that where totalization is necessary to establish a person's right to Canadian benefits in accordance with Chapter 2 of Part III of the Agreement, the Social Security Administration will furnish the Canadian liaison agency a record showing the number of quarters of coverage the person has earned under the U.S. system.

ADMINISTRATIVE ARRANGEMENT

CHAPTER 4

MISCELLANEOUS PROVISIONS

Paragraph 8

In accordance with measures to be agreed upon pursuant to Paragraph 3 of this Administrative Arrangement, the liaison agency of one Contracting State will, upon request of the liaison agency of the other Contracting State, furnish available information relating to the claim of any specified individual for the purpose of administering the Agreement.

Paragraph 9

The liaison agencies of the two Contracting States will exchange statistics on the payments made to beneficiaries under the Agreement for each calendar year in a form to be agreed upon. The data will include the number of beneficiaries and the total amount of benefits, by type of benefit.

Paragraph 10

This Administrative Arrangement will take effect on the date of entry into force of the Agreement and will have the same period of duration.

Done in duplicate at Washington, this 22nd day of May 1981, in English and French, both texts being equally authentic.

ANNOTATIONS AND COMMENTS

Paragraph 8 provides that the liaison agency of one country may upon request furnish claims-related information to the liaison agency of the other country in accordance with agreed upon procedures. Such procedures will be agreed upon by the agencies and will be consistent with the governing statutes of both countries.

Paragraph 9 provides for an exchange of statistics concerning the number of beneficiaries and the types and amounts of benefits paid under the Agreement.

The Administrative Arrangement will enter into force on the same date as the Agreement and will remain in effect for the same period as the Agreement.

For the Government of the United States of America:

(Signed) RICHARD S. SCHWEIKER.

For the Government of Canada:

(Signed) MONIQUE BEGIN.

SUPPLEMENTARY AGREEMENT

SUPPLEMENTARY AGREEMENT AMENDING THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF CANADA WITH RESPECT TO SOCIAL SECURITY

The Government of the United States of America and the Government of Canada,

Having considered the Agreement on Social Security between the United States of America and Canada, signed March 11, 1981, (hereinafter referred to as the "Agreement") and the Administrative Arrangement for the Implementation of the Agreement, signed on May 22, 1981, (hereinafter referred to as the "Administrative Arrangement"), and

Having recognized the need to improve the manner of determining the rights to benefits under the Agreement,

Have agreed as follows:

ARTICLE 1

Paragraph (3) of Article VII of the Agreement shall be deleted and replaced by the following new paragraph:

"(3) Where entitlement to a benefit under United States laws is established according to the provisions of paragraph (1) of this Article, the agency of the United States shall compute a pro rata primary insurance amount in accordance with United States laws based on the duration of the person's periods of coverage credited under United States laws.

ANNOTATIONS AND COMMENTS

Article 1 of the Supplementary Agreement is intended to amend Article VII(3) of the principal Agreement to authorize the United States to use a simplified method of computing U.S. totalization benefits. As revised by this supplementary Agreement, the language of new Article VII(3) would be broad enough to encompass any benefit computation method provided for in regulations promulgated under section 233(d) of the Social Security Act.

At present these regulations provide for the computa-

Benefits payable under United States laws shall be based on the pro rata primary insurance amount."

tion of U.S. totalization benefits in the same manner established in the U.S. Social Security agreements now in force. Under this method, when a person qualifies for U.S. benefits on the basis of combined U.S. and foreign periods of coverage, a theoretical benefit amount is determined by combining the person's U.S. and foreign earnings records. The combined earnings (indexed if the worker qualifies for a computation based on average indexed monthly earnings (AIME)) are averaged over the number of months in the worker's benefit computation years. These are generally the years from 1951, or, if later, the year of attainment of age 22, up to the year the worker reaches age 62, becomes disabled, or dies, disregarding 5 years of low earnings in retirement or survivors cases, and zero to 5 years in disability cases. The theoretical benefit amount is determined by applying the regular U.S. national benefit formula to the person's average monthly earnings (AME) or, where appropriate, the person's AIME, which was derived on the basis of combined earnings records. The theoretical benefit is then reduced to reflect the fact that the person worked only part of his career under the U.S. system. Thus, the benefit that is actually payable (called the pro rata benefit) equals the theoretical benefit amount multiplied by the ratio of U.S. periods of coverage to total periods of coverage under the programs of the United States and the other agreeing country.

Each country, including Canada, with which we have discussed the possibility of concluding a Social Security agreement has expressed concern over the need to fur-

nish the United States with detailed data on a worker's earnings under its system. Furnishing this information, which may not even be used under the foreign country's system, has been administratively burdensome. The Social Security Administration has experienced long delays in obtaining foreign earnings information in some cases. Converting foreign earnings into equivalent U.S. dollar amounts and manipulating it in the U.S. benefit computation has proven to be a laborious operation, which by its nature is time-consuming and prone to error.

Because the current computation method has resulted in significant delays in processing totalization claims, a revision of existing regulations is being considered to permit the United States to apply an alternative computation method. Under this method, Canadian social security coverage would be combined with U.S. coverage to establish entitlement to a U.S. totalization benefit, but Canadian earnings would not be considered in computing the amount of the benefit. The proposed new computation method would take account of a worker's earnings and periods of coverage under the U.S. Social Security program only.

If the proposed regulations are adopted, the theoretical benefit amount would be based, in effect, on the worker's earnings or, where appropriate, indexed earnings, averaged over the period he actually worked under the U.S. system, rather than over all the worker's benefit computation years as under the current method. The theoretical benefit amount would be computed by applying the appropriate U.S. national benefit

formula to the worker's AME or AIME so derived. The benefit actually payable would be determined by multiplying the theoretical benefit amount by the ratio of the worker's U.S. quarters of coverage to the number of calendar quarters in a period generally equal to the worker's benefit computation years.

Under the proposed new method, the theoretical benefit would approximate the benefit amount to which the worker would have been entitled had he worked a full coverage lifetime under the U.S. system at the same relative earnings level as during his actual periods of U.S. coverage. The pro rata benefit that is payable would reflect the portion of the worker's coverage lifetime spent under the U.S. system. The new method is comparable to the computation methods used by many other countries which compute totalization benefits based only on earnings credited under their own social security systems. It would greatly expedite the processing of claims by the Social Security Administration, since the time-consuming process of securing foreign earnings records would be eliminated.

Before the new computation method can be implemented, the revised regulations now under consideration must be approved. Article VII(3) of the principal Agreement, as revised by this Supplementary Agreement, is general enough to accommodate changes in the new method that may result from the regulatory review process and to allow use of the present method if, for some unforeseen reason, the proposed new method is not adopted or the promulgation of the regulatory revision is long delayed.

SUPPLEMENTARY AGREEMENT

ARTICLE 2

Paragraphs 6.2 and 6.3 of the Administrative Arrangement shall be deleted and Paragraph 6.1 shall be redesignated as Paragraph 6.

ARTICLE 3

This Supplementary Agreement shall enter into force on the date of entry into force of the Agreement and shall have the same period of validity.

In witness whereof, the undersigned, duly authorized to that effect, have signed this Supplementary Agreement.

Done in duplicate at Ottawa, this 10th day of May 1983 in the English and French languages, both texts being equally authentic.

ANNOTATIONS AND COMMENTS

Article 2 deletes two provisions in the Administrative Arrangement which are unnecessary because these matters are adequately dealt with in existing U.S. Social Security regulations. Paragraph 6.2 of the Administrative Arrangement provides for the recomputation of U.S. totalization benefits to take account of additional U.S. or Canadian coverage. This provision would no longer be necessary because, under the revised regulations providing for the new computation method, the United States would only recompute pro rata benefits based on additional U.S. earnings and coverage. Paragraph 6.3 restricts the use of Canadian coverage after the worker's last computation base year in determining the pro rata ratio. This provision is being deleted because the pro rata ratio under the new method would not take foreign coverage into account.

The Supplementary Agreement will enter into force on the same date as the Agreement and will remain in effect for the same period as the Agreement.

For the Government of the United States of America:

(Signed)
PAUL ROBINSON.

For the Government of Canada:

(Signed)
MONIQUE BEGIN.

H.Doc. 98-165 --- 5

UNDERSTANDING

THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF QUEBEC

Resolved to cooperate in the field of social security,

Desirous of concluding an Understanding to facilitate the application of a mutually beneficial arrangement in this field,

In view of the Social Security Agreement between Canada and the United States signed on March 11, 1981,

Have agreed as follows:

ANNOTATIONS AND COMMENTS

This Understanding between the United States and Canada's Quebec Province has been concluded pursuant to Articles II(4) and XX of the U.S.-Canadian Social Security Agreement signed on March 11, 1981, and is considered an integral part of that Agreement. The purpose of the Understanding is to extend the application of the Agreement to Quebec's Provincial-level social security program.

The Federal-level program, called the Canada Pension Plan, which is dealt with in the main Agreement, applies throughout Canada except in the Province of Quebec. Quebec, exercising its constitutional prerogative, has elected not to participate in the Canada Pension Plan, but rather to establish its own Provincial system called the Quebec Pension Plan. Although the Federal- and Provincial-level systems are similar in all major respects, it is necessary to make certain special arrangements to include the Quebec Pension Plan within the scope of the Agreement. These arrangements are contained in this Understanding and the Administrative Arrangement which supplements the Understanding.

PART I

General Provisions

Article I

For the purpose of this Understanding:

(1) "Territory" means, "as regards the United States, the States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam and American Samoa, and as regards Quebec, the territory of Quebec;"

(2) "National" means, "as regards the United States, a national of the United States as defined in Section 101, Immigration and Nationality Act of 1952, as amended, and as regards Quebec, a citizen of Canada residing in Quebec or, if not residing therein, who is subject or has been subject to the laws specified in Article II(1)(b);"

(3) "Laws" means, "the laws and regulations specified in Article II;"

(4) "Competent Authority" means, "as regards the United States, the Secretary of Health and Human Services, and" "as regards Quebec, the

Article I defines the key terms used in the Understanding:

The definition of United States "territory" is identical to the definition of the United States in section 210(i) of the Social Security Act. Quebec "territory" means the Province of Quebec.

Under Section 101 of the Immigration and Nationality Act of 1952, "the term national of the United States means (A) a citizen of the United States, or (B) a person who, though not a citizen of the United States, owes permanent allegiance to the United States." Those in category (B) include natives of American Samoa and Swain's Island. With respect to Quebec, the term "national" means a Canadian citizen who either resides in Quebec or who is or has been subject to the social security laws of Quebec.

The term "laws" as used in the Understanding refers to the laws and regulations pertaining to old-age, survivors, and disability insurance as set forth in Article II. Article II(1)(a) specifies the U.S. laws to which the Understanding applies.

"Competent Authority," as used throughout this Understanding, refers to the Government officials in the United States or Quebec with ultimate responsibility

UNDERSTANDING	ANNOTATIONS AND COMMENTS
Minister or Ministers responsible for the application or the administration of the laws specified in Article II(1)(b);"	for administering their respective social security programs, including the provisions of the Understanding.
(5) "Agency" means, "as regards the United States, the Social Security Administration, and" "as regards Quebec, for matters related to the collection of contributions, the Ministere du Revenu du Quebec; for all other matters, the Regie des rentes du Quebec;"	"Agency," as used in the Understanding, refers to the administrative body in the United States or Quebec responsible for taking and processing social security claims and making social security coverage determinations. The Social Security Administration is the agency for the United States. However, the U.S. Internal Revenue Service's responsibility for determining social security tax liability in light of SSA coverage determinations under the Understanding is not affected. The Quebec Ministry of Revenue (i.e., the Ministere du Revenu du Quebec) is responsible for collecting Quebec Pension Plan (QPP) contributions and is designated as the Quebec "agency" for matters related to the collection of contributions. The Quebec Pension Board (i.e., the Regie des rentes du Quebec), which has overall responsibility for administering the QPP, including claims taking and benefit payments, is the Quebec "agency" for claims-related matters.
(6) "Period of coverage" means, "a period of payment of contributions or a period of earnings from employment or self-employment, as defined or recognized as a period of coverage by the laws under which such period has been completed, or any similar period insofar as it is recognized by such laws as equivalent to a period of coverage;"	The term "period of coverage" means any period which is credited under the laws of either the United States or Quebec for purposes of determining benefit eligibility, including periods of covered employment or self-employment.
(7) "Benefit" means, "any benefit provided for in the laws of either Party;"	"Benefit" refers to old-age, survivors and disability benefits provided under the social security laws of either the United States or Quebec. The term includes

(8) "Stateless person" means, "a person defined as a stateless person in Article I of the Convention Relating to the Status of Stateless Persons dated September 28, 1954;"

(9) "Refugee" means, "a person defined as a refugee in Article I of the Convention Relating to the Status of Refugees dated July 28, 1951, and the Protocol to that Convention dated January 31, 1967."

the lump-sum death payment under section 202(i) of the U.S. Social Security Act, but excludes special age-72 payments provided for certain uninsured persons under section 228 of the Social Security Act of the United States.

The Convention relating to the Status of Stateless Persons defines a "stateless person" as "a person who is not considered as a national by any State under the operation of its law."

The Convention relating to the Status of Refugees, in conjunction with the 1967 Protocol thereto, defines "refugee" as any person who "owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence, is unable or, owing to such fear, is unwilling to return to it."

Article II

(1) For the purpose of this Understanding, the applicable laws are:

(a) as regards the United States, the laws governing the Federal Old-Age, Survivors and Disability Insurance Program:

(i) Title II of the Social Security Act and regulations pertaining thereto, except sections 226, 226A and 228 of that title and regulations pertaining to those sections, and

Article II specifies the laws to which the Understanding applies. For the United States, it applies to title II of the Social Security Act and the corresponding tax laws (the Self-Employment Contributions Act of 1954 and the Federal Insurance Contributions Act) and any regulations pertaining to those laws. However, the Understanding does not apply to Medicare provisions (sections 226 and 226A of the Social Security Act) or provisions for special payments to uninsured individuals age

(ii) Chapter 2 and Chapter 21 of the Internal Revenue Code of 1954 and regulations pertaining to those chapters;

(b) as regards Quebec: "The Act concerning the Quebec Pension Plan."

(2) Unless otherwise provided in this Understanding, the applicable laws referred to in paragraph (1) of this Article do not include undertakings entered into by the United States or Quebec with third parties, or laws and regulations promulgated for the implementation of such undertakings.

(3) This Understanding shall also apply to laws amending the laws specified in paragraph (1) of this Article and to agreements between the Government of Quebec and the Government of Canada concluded for purposes of coordinating their respective pension plans.

Article III

Unless otherwise provided, this Understanding shall apply to:

(a) Nationals,
(b) Refugees,
(c) Stateless persons,
(d) Other persons with respect to the rights they

72 or over under section 228 of the Social Security Act. Persons to whom the Understanding applies who qualify independently for Medicare hospital insurance or age-72 payments will be entitled to receive such benefits.

For Quebec, the Understanding applies to the Act concerning the Quebec Pension Plan.

The laws to which the Understanding applies do not include other international commitments (or laws implementing them) entered into by either party with a third party. The purpose of this provision is to ensure that in cases where a person has periods of coverage in the United States and Quebec and periods of coverage in a third party with which the United States or Quebec has a social security agreement, periods from all three parties cannot be totalized to meet U.S. or Quebec benefit eligibility requirements.

The Understanding automatically applies to any laws which amend provisions of the social security laws set forth in Article II(1) as well as to existing and future agreements between the Province of Quebec and the Government of Canada concluded to coordinate their respective pension plans.

Article III specifies five categories of persons to whom the Understanding applies: (1) nationals, (2) refugees, (3) stateless persons, (4) persons regardless of nationality who derive rights through any of the above, and (5) nationals of a country other than the United States or Canada. International conventions concerning refugees

derive from a national, a refugee, or a stateless person, and

(e) Nationals of a third party not included among the persons mentioned in paragraph (d) of this Article.

and stateless persons provide that rights under bilateral social security agreements be extended to these groups. Category III(d) generally refers to family members and survivors who could derive rights under U.S. or Quebec law from a person in the first three categories. See Article I(2), I(8), and I(9) for definitions of "national," "stateless person," and "refugee."

Article IV

(1) Unless otherwise provided in this Understanding, the persons designated in Article III (a), (b), (c) or (d) who reside in the territory of either Party shall, in the application of the laws of a Party, receive equal treatment with respect to the payment of benefits, with the nationals of that Party.

Article IV(1) provides that the persons to whom the Understanding applies (with the exception of third country nationals designated in Article III(e)) who reside in the United States or Quebec will be accorded the same treatment under each party's social security laws with respect to benefit payments as each accords its own nationals. The paragraph is not intended to affect the coverage provisions of either party's laws since these are dealt with specifically in Part II of the Understanding.

(2) Nationals of a Party who reside outside the territories of both Parties shall receive benefits provided by the laws of the other Party under the same conditions which the other Party applies to its own nationals who reside outside the territories of both Parties.

Article IV(2) provides that each party will pay benefits to nationals of the other party residing outside the territory of both parties on the same basis as it pays its own nationals residing outside both parties. This paragraph is merely intended to reaffirm the current laws of both parties concerning the payment of benefits outside their territories and creates no additional rights.

(3) Unless otherwise provided in this Understanding, the laws of a Party under which entitlement to or payment of cash benefits is dependent on residence or presence in the territory of that Party shall not be applicable to the persons designated in Article III who reside in the territory of the other Party.

Article IV(3) provides that where the laws of either party require that a person be resident or present in the territory of that party in order to qualify for or receive social security benefits, the person may also qualify for or receive those benefits during periods of residence in the other party. This paragraph permits the

UNDERSTANDING	ANNOTATIONS AND COMMENTS
	United States to pay certain third country nationals and their dependents who would otherwise be subject to the alien non-payment provisions of section 202(t) of the Social Security Act during periods of residence in Quebec.
(4) As regards the laws of Quebec, paragraph (1) of this Article is extended to persons designated in Article III(e).	Quebec law, unlike the social security laws of many countries, contains few nationality-based distinctions. Thus, non-Canadian citizens are generally accorded the same treatment under Quebec's social security laws as Canadian citizens. Article IV(4) makes clear that third country nationals will continue to enjoy equality of treatment with Canadian citizens, whether they reside in Quebec or the United States.
PART II PROVISIONS ON COVERAGE	Part II is intended to eliminate dual coverage, i.e., situations where a worker is covered under the laws of both parties with respect to the same services. In so doing, the existing coverage provisions of the laws of both parties are preserved to the greatest extent possible. The provisions in this Part are intended to eliminate dual coverage by continuing the worker's social security coverage and taxation under the system of the party to whose economy he has the more direct connection and exempting him from coverage and taxation under the other party's system.
Article V	
(1) Except as otherwise provided in this Article, an employed person who works in the territory of one of	Article V(1) establishes a general territoriality rule which stipulates that ordinarily a person's work in the

the Parties shall, in respect of that work, be subject to the laws of only that Party.

(2)(a) Where an employed person is subject to the laws of one of the Parties in respect to work performed for an employer having a place of business in the territory of that Party and is then required by that employer to work in the territory of the other Party, the person shall be subject to the laws of only the first Party in respect of that work, as if it were performed in the territory of the first Party. The preceding sentence shall apply provided that the period of work in the territory of the other Party does not exceed 60 months.

territory of one of the parties will be subject to the laws on coverage of only that party. Thus, a person working in employment covered under the laws of both parties will remain covered only under the system of the party where the work is performed and will be exempt from coverage under the system of the other party. Article V(2) contains an exception to this rule which applies when an employee is required by his employer in the territory of one of the parties to work temporarily in the territory of the other party. Article V(3) sets forth rules applicable to persons mentioned in the Vienna Conventions on diplomatic and consular relations. Article V(4) establishes rules applicable to persons employed in U.S. or Quebec Government service. Article V(5) and Article V(6) provide rules for the elimination of dual coverage in employment in international air or ship transportation and in self-employment, respectively. Article V(7) explains how the other provisions of Article V will be applied in the case of a person who is engaged in an activity considered to be employment by one party and self-employment by the other.

Under Article V(2)(a) an employee working for an employer located in the United States or Quebec who is required to work temporarily in the territory of the other party for the same employer (its parent corporation or a foreign subsidiary of the same employer) will continue to be covered by the party in which the employer is located. However, this rule will apply only if the period of work in the territory of the other party does not exceed 60 months. Article V(2)(a) will apply even if the employee is not sent directly to the territory of the other party

(b) For the purpose of subparagraph (a), where a person is required to work in the territory of the other Party for intermittent periods of short duration, each such period shall be considered a separate period of work.

(c) With the prior mutual consent of the Competent Authorities of the Parties, subparagraph (a) shall also apply:

but is first assigned to work in the territory of a third party.

It is recognized that the rule set forth in Article V(2)(a) may not clearly establish which party's coverage is to continue to apply in certain exceptional situations involving employees who routinely work in both the United States and Quebec for employers with places of business in both locations (e.g., truck drivers working for firms which have offices or terminals in the United States and Quebec). In these special situations, coverage determinations will be made by the Competent Authorities under Article V(11). In assigning coverage, such factors as the employee's country of citizenship, where he resides and where he reports to work will be considered in determining the party to which he has the greater economic attachment.

Article V(2)(b) explains how the 60-month time limit specified in Article V(2)(a) will apply to persons who are required to work in the territory of the other party for short, intermittent assignments. The provision is intended to make it clear that each assignment is considered a separate period of work and that such periods will not be added together for purposes of applying the 60-month time limit specified in Article V(2)(a). This provision applies to persons such as truck drivers and professional athletes who routinely make frequent short trips to the territory of the other party in the course of their employment.

Article V(2)(c) provides that the Competent Authorities may jointly agree to grant special exceptions to the general rule set forth in Article V(2)(a). In particular, a

(i) where the employer does not have a place of business in the territory of the first Party, or

(ii) where the period of work in the other Party exceeds or is expected to exceed 60 months.

(3) This Article shall not apply to the categories of persons mentioned in the provisions of the Vienna Convention on Diplomatic Relations of April 18, 1961, and of the Vienna Convention on Consular Relations of April 24, 1963, unless the immunities and privileges with respect to the payment of Social Security contributions of such persons have been waived, or such persons are among the persons mentioned in subparagraph (4)(b)(ii) of this Article.

special exception would be required in order for Article V(2)(a) to apply in the case of a person who is temporarily transferred from the territory of one party to work in the territory of the other party if the person's employer does not have a place of business in the territory of the first party. Also, a special exception would be required in order for Article V(2)(a) to apply in the case of a person who is temporarily transferred from the territory of one party to work in the territory of the other party if the person's assignment in the territory of the other party exceeds or is expected to exceed 60 months.

Article V(3) is intended to make it clear that, in general, the categories of persons mentioned in the Vienna Conventions on diplomatic and consular relations will not be affected by the coverage provisions of the Understanding. The Conventions, to which the United States and Canada are parties, apply to members of the staff of a diplomatic or consular mission, including the diplomatic, consular, administrative and technical staffs; dependents of members of those staffs; the domestic service staff of the mission; and private servants employed by members of such missions.

In general, persons mentioned in the Vienna Conventions are exempt from social security coverage and contributions under the laws of the host country unless specific arrangements have been made to waive their immunity. Persons whose immunity has been waived would be subject to the laws of the host country, including the coverage provisions of this Understanding. Article V(4)(b)(ii), which deals with non-U.S. citizens locally hired to work for the U.S. Government in Quebec, represents an exception to the general rule set forth in Article V(3).

UNDERSTANDING

(4)(a) Except as provided in subparagraph (b), this Article shall not apply to a person employed in the Government service of one of the Parties.

(b) Where a person is employed in the Government service of one of the Parties, the following rules shall apply:

(i) a person in the Government service of one Party who is sent to work within the territory of the other Party shall be subject to the laws of only the first Party in respect to that service;

(ii) a person hired locally to work for the United States Government in Quebec shall be subject to the laws of Quebec unless the person is a national of the United States or, since before entry into force of the Understanding, participated in the Civil Service Retirement System of the United States or other United States Government-financed pension plan and has elected not to participate in the Quebec Pension Plan.

ANNOTATIONS AND COMMENTS

Article V(4) establishes rules applicable to certain persons employed in the Government service of the United States or Quebec.

Under Article V(4)(b)(i), a person employed by the Government of one party who is sent to work in the territory of the other party would be subject to the laws of only the sending party.

Article V(4)(b)(ii), which has been included at the request of the Department of State, deals with the coverage of non-U.S. citizens locally hired to work for the U.S. Government in Quebec. This provision is intended primarily to regulate the coverage of Canadian citizens and third country nationals employed by the Department of State at the U.S. Consulates in Montreal and Quebec City.

Until recently, State Department policy was generally to cover non-U.S. citizen employees (Foreign Service Nationals—FSN's) under the U.S. civil service retirement system (CSRS). Many countries, including Canada and its Quebec Province, exclude these FSN's from coverage under their social security systems, since the U.S. Government cannot be held liable for employer contributions and reports. State Department policy has changed in recent years to exclude newly hired FSN's from CSRS coverage and to seek agreements with host countries to cover them under the host countries' social security systems. Under these agreements, the U.S.

Government voluntarily agrees to pay employer contributions and to file necessary reports. FSN's already covered by the CSRS are generally permitted to continue that coverage.

The United States and Canada previously concluded an agreement which authorizes Canadian coverage of certain FSN's locally hired by the U.S. Government in Canada. This prior agreement is applicable throughout Canada, and as a result certain locally hired FSN's who work in the Province of Quebec are now covered by the Canada Pension Plan. Because persons who work in Quebec are normally subject to Quebec Pension Plan jurisdiction, the Quebec Provincial Government, along with the Canadian Federal Government and the U.S. Department of State, has concluded that it is desirable to adjust the present coverage status of affected U.S. employees in Quebec, and that this Understanding is an appropriate vehicle for implementing the necessary special provisions.

Article V(4)(b)(ii), which contains these special provisions, stipulates that persons locally hired to work for the U.S. Government in Quebec will be covered by the Quebec Pension Plan unless they are (a) U.S. citizens, or (b) non-U.S. citizens but participated in the CSRS (or other Federal retirement system) prior to entry into force of this Understanding. Under this provision, U.S. citizens employed by the U.S. Government in Quebec would continue to be excluded from QPP and CPP coverage, while non-U.S. citizens already enrolled in CSRS would be given the option of continuing their coverage under CSRS or converting to Quebec Pension Plan coverage.

UNDERSTANDING

(c) For the purposes of this paragraph, "Government service" means,

(i) as regards the United States, service in the employ of the Government of the United States or any instrumentality thereof;

(ii) as regards Quebec, service in the employ of the Government of Quebec.

(5) Where, but for this Article, a person would be covered under United States laws as well as under the Act concerning the Quebec Pension Plan in respect of employment as an officer or member of the crew on a ship or aircraft, that person shall, in respect of the employment, be subject only to the Act concerning the Quebec Pension Plan if that person is a resident of Quebec or contributes to the Quebec Pension Plan while residing elsewhere in Canada, and only to United States laws in any other case.

(6) Where, but for the Article, a person would be covered under the laws of both Parties in respect of earnings from self-employment, that person shall, in respect thereof, be subject only to the laws of Quebec if that person is considered to be resident in Quebec for the purposes of the relevant provisions of those laws, and only to United States laws in any other case.

(7) Where, but for this Article, a person would be covered under the laws of both Parties in respect of an ac-

ANNOTATIONS AND COMMENTS

Article V(4)(c) provides the definition of "Government service" to be used in applying Article V(4). For the United States, the term "Government service" includes only employment for the Federal Government or its instrumentalities. For Quebec, the term includes service for a Quebec Governmental entity.

Under Article V(5), persons employed on a ship or aircraft who would otherwise be covered under the laws of both parties will be covered only under the laws of Quebec if they reside in Canada and only under U.S. laws if they reside outside Canada.

Article V(6) applies to persons whose earnings from self-employment would be subject to compulsory coverage under the laws of both parties. A self-employed Quebec resident whose earnings would otherwise be dually covered will be covered only under the laws of Quebec. A dually covered person not resident in Quebec will be covered only under U.S. laws. This provision will primarily affect self-employed U.S. citizens who reside in Quebec. In the absence of this Understanding, such persons would be covered under Quebec law because they reside there and could also be covered under U.S. law because they are U.S. citizens.

Article V(7) is intended to eliminate dual coverage in cases where the activity in question is considered self-

tivity that is considered to be self-employment by one of the Parties and employment by the other Party, that activity shall be treated according to the provisions of this Article respecting self-employment if the person is a resident of the first Party and according to the provisions of this Article respecting employment in any other case.

(8) Where, by virtue of this Article, a person would be subject to the laws of Quebec but coverage is not effected under those laws, the person shall be subject to United States laws.

employment under the laws of one party and employment under the laws of the other and is compulsorily covered by both parties. Under Article V(7), a person who is a resident of the party which considers him to be self-employed will be subject to the provisions of Article V(6) respecting self-employment. A person who is not a resident of the party which considers him to be self-employed will be subject to the provisions of Article V respecting employment—primarily Article V(1) and (2)—and would either be (a) covered under the laws of the party where the work is performed, or (b) if the requirements of Article V(2) are met, covered under the laws of the party from which he has been transferred.

This provision will apply, for example, in the case of service as a minister of religion. Under U.S. law such service in generally covered compulsorily as self-employment. Quebec covers such service, on the other hand, as employment. In the absence of this Understanding, the service of such persons as ministers of religion could be covered by both parties. Under the Understanding, such ministers are covered only by the United States if (1) they remain residents of the United States, or (2) they are not residents of the United States but were required to work in Quebec for a period not exceeding 60 months. On the other hand, if the minister is not a resident of the United States and does not meet the criteria of Article V(2), he would be covered only by the Quebec Pension Plan.

Article V(8) makes it clear that the Quebec Pension Plan will not cover persons who are subject to Quebec laws under the preceding paragraphs of this Article if there is no authority under those laws to effect the cov-

(9) The Understanding shall not result in coverage under United States laws if those laws do not provide for the collection of contributions with respect to such coverage. Article V(1) shall apply when Article V(2) is not applicable as a result of the preceding sentence.

(10) Where a person covered under the laws of a Party in accordance with the Understanding is also covered under the laws of the other Party or a third Party in accordance with the provisions of an undertaking entered into by the United States or by Quebec with a third Party, the Competent Authorities of the two Parties may agree to exclude the person from the application of this Understanding.

erage. Instead, such persons would be subject to U.S. laws and would be covered by U.S. Social Security provided they were performing services covered by the U.S. Social Security Act.

A drafting error in the 1977 law that authorized the United States to enter into international social security agreements has prevented the United States from imposing social security taxes on certain earnings which were covered by the U.S. Social Security system pursuant to an agreement. For this reason, it has been necessary to include a proviso such as Article V(9) in this Understanding and other U.S. agreements to make clear that the agreements would not result in U.S. coverage if there was no authority under U.S. laws to collect taxes with respect to that coverage. However, a provision in the recently enacted Social Security Admendments of 1983 authorizes the U.S. to collect Social Security taxes on earnings covered by a section 233 agreement, thus correcting the deficiency in the original 1977 legislation. With this change in the law, the proviso in Article V(9) becomes inoperative.

The United States has previously concluded a number of international social security agreements, and Quebec has made similar arrangements to coordinate its system with the systems of several countries. Although it should not happen frequently, it is at least theoretically possible for an individual to be covered under the social security systems of more than one party by operation of the coverage provisions of this Understanding and another agreement. Under Article V(10), the Competent Authorities of the United States

(11) The Competent Authorities of the two Parties may, by common agreement, make exceptions in the application of this Article in respect of any person or category of persons.

and Quebec could agree to exclude such an individual from the application of this Understanding if necessary to eliminate the dual coverage. For example, a conflict could arise between this Understanding and the agreement between the United States and Italy if an Italian national were sent from Quebec to the United States by an Italian employer. Should this occur, the U.S. and Quebec Competent Authorities could resolve the conflict by permitting the coverage provisions of the U.S.-Italian agreement to take precedence.

Under Article V(11), either party may grant an exception to the coverage rules set forth in this Article, provided that the other party agrees. Such an exception may be granted on behalf of an individual worker or on behalf of all workers employed under similar circumstances, e.g., in the same profession or for the same employer. It is understood that an exception made under this paragraph would not prevent an individual from being subject to the laws of one of the two parties.

PART III

Provisions on Benefits

Chapter 1

Provisions Applicable to the United States

Part III establishes the basic rules for determining entitlement to social security benefits when an individual has worked in both the United States and the Province of Quebec, and the rules for determining benefit amounts when entitlement is based on combined work credits. Article VI contains rules specifically applicable

Article VI

(1) Where a person has completed at least six quarters of coverage under United States laws, but does not have sufficient quarters of coverage to satisfy the requirements for entitlement to benefits under United States laws, periods of coverage completed under the Act concerning the Quebec Pension Plan shall be taken into account to the extent they do not coincide with calendar quarters already credited as quarters of coverage under United States laws.

(2) In determining eligibility for benefits under paragraph (1) of this Article, the agency of the United States shall credit four quarters of coverage for every year of contributions under the Act concerning the Quebec Pension Plan certified as creditable by the agency of Quebec; however, no quarter of coverage shall be credited for any calendar quarter already credited as a quarter of coverage under United States laws. The total number of quarters of coverage to be credited for a year shall not exceed four.

to the U.S. system, and Article VII deals with the Quebec Pension Plan.

Article VI contains rules for determining U.S. benefit eligibility and amounts in the case of people who have periods of social security coverage in Quebec and at least six quarters of coverage in the United States, but who do not have enough U.S. coverage to qualify for U.S. benefits. In such cases, the Social Security Administration, in accordance with Article VI(1), will take into account any periods of Quebec coverage credited under the Quebec Pension Plan insofar as they do not coincide with quarters of coverage already credited under U.S. laws.

Article VI(2) establishes the procedure to be followed in converting periods of coverage under the Quebec system into equivalent periods under the U.S. system. Periods of coverage under the U.S. system are measured in terms of calendar quarters, while Quebec periods of coverage are measured in years. Beginning in 1978, U.S. quarters of coverage are based on the amount of a person's annual earnings (e.g., for 1983, $370 in earnings equals one quarter of coverage). Quebec credits a year of coverage once a person's annual earnings exceed a minimum level called the "Year's Basic Exemption" which is $1,800 in 1983.

The Quebec agency will certify to the Social Security Administration the number of years of coverage credited to the person under the Quebec system. SSA will then credit four quarters of coverage for each year of Quebec coverage to the extent the calendar quarters in

(3) Where entitlement to a benefit under United States laws is established according to the provisions of paragraph (1) of this Article, the agency of the United States shall compute a pro rata primary insurance amount in accordance with United States laws based on the duration of a worker's periods of coverage completed under United States laws. Benefits payable under United States laws shall be based on the pro rata primary insurance amount.

such years do not coincide with quarters of coverage already credited under the U.S. system.

In conformity with section 233(c)(1)(C) of the U.S. Social Security Act, Article VI(3) provides that where entitlement to a U.S. benefit is based on combined U.S. and Quebec coverage, the amount of the benefit will be proportional to the amount of coverage credited under the U.S. system. As stipulated in Article VI(1), persons who qualify for U.S. benefits based on their U.S. coverage alone are not eligible for totalization benefits from the United States.

The language of Article VI(3) is broad enough to encompass any benefit computation method provided for in regulations promulgated under section 233(d) of the Social Security Act. At present these regulations provide for the computation of U.S. totalization benefits in the same manner established in the U.S. Social Security agreements now in force. Under this method, when a person qualifies for U.S. benefits on the basis of combined U.S. and foreign periods of coverage, a theoretical benefit amount is determined by combining the person's U.S. and foreign earnings records. The combined earnings (indexed if the worker qualifies for a computation based on average indexed monthly earnings (AIME)) are averaged over the number of months in the worker's benefit computation years. These are generally the years from 1951, or, if later, the year of attainment of age 22, up to the year the worker reaches age 62, becomes disabled, or dies, disregarding 5 years of low earnings in retirement or survivors cases, and zero to 5 years in disability cases. The theoretical benefit amount is determined by applying the regular U.S. national

benefit formula to the person's average monthly earnings (AME) or, where appropriate, the person's AIME, which was derived on the basis of combined earnings records. The theoretical benefit is then reduced to reflect the fact that the person worked only part of his career under the U.S. system. Thus, the benefit that is actually payable (called the pro rata benefit) equals the theoretical benefit amount multiplied by the ratio of U.S. periods of coverage to total periods of coverage under the programs of the United States and the other agreeing country.

Each country with which we have discussed the possibility of concluding a Social Security agreement has expressed concern over the need to furnish the United States with detailed data on a worker's earnings under its system. Furnishing this information, which may not even be used under the foreign country's system, has been administratively burdensome. The Social Security Administration has experienced long delays in obtaining foreign earnings information in some cases. Converting foreign earnings into equivalent U.S. dollar amounts and manipulating it in the U.S. benefit computation has proven to be a laborious operation, which by its nature is time-consuming and prone to error.

Because the current computation method has resulted in significant delays in processing totalization claims, a revision of existing regulations is being considered to permit the United States to apply an alternative computation method. Under this method, Quebec Pension Plan (QPP) social security coverage would be combined with U.S. coverage to establish entitlement to

a U.S. totalization benefit, but QPP earnings would not be considered in computing the amount of the benefit. The proposed new computation method would take account of a worker's earnings and periods of coverage under the U.S. Social Security program only.

If the proposed regulations are adopted, the theoretical benefit amount would be based, in effect, on the worker's earnings or, where appropriate, indexed earnings, averaged over the period he actually worked under the U.S. system, rather than over all the worker's benefit computation years as under the current method. The theoretical benefit amount would be computed by applying the appropriate U.S. national benefit formula to the worker's AME or AIME so derived. The benefit actually payable would be determined by multiplying the theoretical benefit amount by the ratio of the worker's U.S. quarters of coverage to the number of calendar quarters in a period generally equal to the worker's benefit computation years.

Under the proposed new method, the theoretical benefit would approximate the benefit amount to which the worker would have been entitled had he worked a full coverage lifetime under the U.S. system at the same relative earnings level as during his actual periods of U.S. coverage. The pro rata benefit that is payable would reflect the portion of the worker's coverage lifetime spent under the U.S. system. The new method is comparable to the computation methods used by many other countries which compute totalization benefits based only on earnings credited under their own Social security systems. It would greatly expedite the processing of claims by the Social Security Administra-

(4) Entitlement to a benefit from the United States which results from paragraph (1) of this Article shall terminate with the acquisition of sufficient periods of coverage under United States laws to establish entitlement to an equal or higher benefit without the need to invoke the provisions of paragraph (1) of this Article.

CHAPTER 2

PROVISIONS APPLICABLE TO QUEBEC

Article VII

(1) In this Article, "benefit" means,
(a) a retirement pension
(b) an orphan's benefit or a disabled contributor's child's benefit,
(c) a death benefit,
(d) a disability pension, or
(e) a survivor's pension
payable under the Act concerning the Quebec Pension Plan.

tion, since the time-consuming process of securing foreign earnings records would be eliminated.

Before the new computation method can be implemented, the revised regulations now under consideration must be approved. Article VI(3) is general enough to accommodate changes in the new method that may result from the regulatory review process and to allow use of the present method if, for some unforeseen reason, the proposed new method is not adopted or the promulgation of the regulatory revision is long delayed.

Article VI(4) provides that where insured status under U.S. law is acquired after entitlement based on totalization, and an equal or higher benefit is payable without totalization, SSA will no longer provide a benefit based on totalization but will provide the benefit based on U.S. coverage alone.

Article VII(1) lists the types of benefits payable under the Quebec Pension Plan (QPP) for which eligibility may be acquired in accordance with the totalization provisions of this Article. The Quebec Pension Plan, which went into effect on January 1, 1966, pays retirement, survivors and disability benefits based on the length of a person's working career and the level of the person's average earnings. All QPP benefits are payable

outside Canada with no restrictions. Benefits are adjusted annually to reflect increases in prices.

QPP retirement beneficiaries may also receive benefits under the federal Old Age Security (OAS) program, which is applicable throughout all of Canada and which provides flat-rate, noncontributory benefits based on Canadian residence. OAS benefits are not included in this Understanding since they are dealt with in the main U.S.-Canadian agreement.

Under QPP, retirement pensions are payable to contributors 65 years of age and over, whether or not they continue to work and receive earnings. A retirement pension may be paid based on as little as one QPP contribution (i.e., 1 year in covered employment or self-employment during which the person earned above a specified minimum amount). A retirement pension is equal to 25 percent of a worker's average monthly covered earnings during his contributory period (a period beginning January 1, 1966 or at age 18—whichever is later—and ending when the person reaches age 65, becomes disabled or dies—whichever is earlier). Actual earnings are indexed to take account of increases in wages before a benefit is computed.

Disability benefits are payable to persons between the ages of 18 and 65 who meet minimum coverage requirements and have a physical or mental impairment which prevents substantial gainful activity and is likely to be of long continued and indefinite duration or result in death. To meet the minimum coverage requirements, a person must have at least: (1) contributions in ⅓ of the calendar years in the person's contributory period but not less than 5 years and, if the person's contributory

period exceeds 10 years, contributions in 5 of the last 10 years in the contributory period; or (2) contributions in a total of 10 years and in 5 of the last 10 years in the contributory period.

Contributors who qualify for disability benefits receive a monthly pension consisting of a flat-rate component and an earnings-related component. The earnings-related component is 75 percent of the retirement pension calculated as if the recipient had reached age 65. Disabled contributor's child's benefits are payable to the dependent children of the disabled contributor who have never married and who are under age 18, or under age 25 and in school full time.

Survivors benefits are payable to the surviving spouse age 35 or over of a deceased contributor and to surviving children under age 18, or under age 25 and in school full time. In addition, a lump sum death benefit is payable to the estate of a deceased contributor. In order for survivors benefits or death benefits to be payable, the deceased contributor must have made QPP contributions in ⅓ of the years in his contributory period but not less than 3 years. No more than 10 years is ever required.

The computation of a survivor's benefit varies depending on the age and circumstances of the surviving spouse. An entitled surviving spouse age 65 or over receives 60 percent of the deceased contributor's retirement pension calculated as if the deceased had reached age 65. Surviving spouses age 45 to 65, or age 35 to 45 and disabled, or with dependent children in their care receive the flat-rate component of the QPP disability

(2) If a person is not entitled to a benefit because of insufficient periods of coverage under the Quebec Pension Plan, entitlement to the benefit may be determined by totalizing periods of coverage under the laws of both Parties in accordance with paragraph (3) of this Article, to the extent that they do not coincide.

(3) Subject to the provisions governing the contributory period under the Act concerning the Quebec Pension Plan, to establish entitlement to a benefit by means of totalization, a year in which at least one quarter of coverage is credited under the laws of the United States shall be deemed to be a year in which contributions were made under the Act concerning the Quebec Pension Plan.

pension plus 37.5 percent of the deceased's retirement pension. Surviving spouses age 35 to 45 who are not disabled and who have no dependent children in their care have their benefits computed in the same manner as other surviving spouses in the same age bracket, except that the pension is reduced by $\frac{1}{120}$ for each month the survivor is under age 45 at the time of the contributor's death. Children of the deceased contributor who are under age 18, or under age 25 and in school, are entitled to orphan's benefits.

The lump sum death benefit is equal to 6 times the monthly retirement benefit of the deceased or 10 percent of the maximum taxable earnings base, whichever is less.

Under Article VII(2), Quebec will combine U.S. coverage with periods of coverage under the Quebec Pension Plan in determining whether a person meets the minimum coverage requirements for QPP benefits. Quebec will not count quarters of coverage which coincide with periods of coverage already credited under Quebec laws. Article VII(4) specifies the rules to be used by Quebec in calculating the amount of a benefit based on totalized credits.

Article VII(3) specifies that a year in which at least one quarter of coverage is credited under U.S. laws will be considered a year of contributions to the QPP for the purposes of determining entitlement to a QPP benefit. In accordance with the provisions governing the contributory period under the QPP, Quebec will not credit U.S. quarters of coverage earned prior to the person's 18th birthday or after the end of the person's contribu-

(4) The agency of Quebec shall calculate the benefit payable under the provisions of paragraph (2) preceding in the following manner:

(a) Compute the amount of the earnings-related benefit under the Act concerning the Quebec Pension Plan;

(b) Add to this benefit, the amount of the flat rate benefit under the Act concerning the Quebec Pension Plan adjusted by the ratio that the periods of coverage under the Act concerning the Quebec Pension Plan represent in relation to the contributory period, subject to the provisions governing such period under the Act concerning the Quebec Pension Plan.

PART IV

MISCELLANEOUS PROVISIONS

Article VIII

The Competent Authorities of the two Parties shall:

tory period. In addition, Quebec will not credit any U.S. coverage earned prior to the effective date of its laws, January 1, 1966.

Article VII(4)(a) describes how Quebec will calculate the earnings/related portion of benefits which are payable based on combined U.S. and Quebec credits. Although Quebec will use U.S. coverage for purposes of establishing entitlement to QPP benefits, in calculating the amount of these benefits Quebec will consider only actual contributions to QPP.

Article VII(4)(b) specifies the procedures Quebec will use to prorate a flat-rate QPP benefit or the flat-rate component of a QPP benefit when U.S. coverage is needed to meet the minimum coverage requirements for entitlement to a benefit. The formula for determining the amount of the pro rata flat-rate benefit will be:

ACTUAL YEARS OF QPP COVERAGE DIVIDED BY THE NUMBER OF YEARS IN THE WORKER'S CONTRIBUTORY PERIOD MULTIPLIED BY FLAT-RATE COMPONENT

This procedure will be used in calculating the disabled contributor's child's benefit, orphan's benefit and the flat-rate portions of the disability and survivor's benefits.

Article VIII lists several duties of the Competent Au-

(a) Conclude an Administrative Arrangement and make such other arrangements as may be necessary for the application of this Understanding;

(b) Communicate to each other information concerning the measures taken for the application of this Understanding; and

(c) Communicate to each other, as soon as possible, information concerning all changes in their respective laws which may affect the application of this Understanding.

thorities under the Understanding. It obligates them to negotiate an Administrative Arrangement and to conclude any other arrangements that may be necessary to implement the present Understanding. The Article also requires them to notify each other of the measures they have taken unilaterally to implement the Understanding, as well as any changes in their social security laws.

Article IX

The Competent Authorities and agencies of the Parties, within the scope of their respective authorities, shall assist each other in implementing this Understanding.

Article IX provides authority for the social security agencies of the two parties to assist each other in administering the Understanding. Such assistance would include the taking of applications and the gathering and exchange of information relevant to claims filed under the Understanding.

Article X

(1) Where the laws of a Party provide that any document which is submitted to the Competent Authority or an agency of that Party shall be exempted, wholly or partly, from fees or charges, including consular and administrative fees, the exemption shall also apply to documents which are submitted to the Competent Authority or an agency of the other Party in accordance with its laws.

If the laws of one party exempt certain documents submitted in connection with a social security claim from fees or charges, the exemption also applies if such documents are sent to the other party by or on behalf of a claimant or beneficiary.

(2) Copies of documents which are certified as true and exact copies by the agency of one Party shall be accepted as true and exact copies by the agency of the other Party, without further certification. The agency

If the agency of one party certifies that a copy of a document it furnishes to the agency of the other party is a true and exact copy of an original document, the other party will accept this certification. The agency of

UNDERSTANDING	ANNOTATIONS AND COMMENTS
of each Party shall be the final judge of the probative value of the evidence submitted to it from whatever source.	each party will remain the final judge of the probative value of documents submitted to it from whatever source.
Article XI	
Benefits shall be payable without any deductions for administrative costs, transfer fees or any other expenses incurred for the payment of such benefits.	Article XI provides that benefits shall be payable in the full amount due without deductions for expenses incurred by either party in the payment of such benefits. Because U.S. Social Security benefits are already paid without deduction for administrative or other expenses, this provision merely affirms U.S. law. It was included at the request of Quebec and may advantage certain people eligible to receive QPP benefits.
Article XII	
(1) The Competent Authorities and agencies of the Parties may correspond directly with each other and with any person wherever the person may reside whenever it is necessary for the administration of this Understanding. The correspondence may be in the official languages of either Party.	Article XII authorizes direct correspondence between the Competent Authorities and agencies of the two parties, and between these bodies and any person with whom they may need to communicate. The U.S. Competent Authority and agency may correspond in English and the Quebec Competent Authority and agencies may correspond in English or French.
(2) No application or document may be rejected by a Competent Authority or an agency solely on the grounds that it is written in the official language of the other Party.	The agencies of each party will accept applications or documents in either English or French.
Article XIII	
(1) A written application for benefits filed with an agency of one Party shall protect the rights of the	Under Article XIII(1), a written application submitted to the agency of one party will protect a claimant's

claimants under the laws of the other Party if the applicant

(a) requests that it be considered an application under the laws of the other Party, or

(b) provides information, at the time of application, indicating that the person on whose record benefits are claimed has completed periods of coverage under the laws of the other Party.

(2) An application for benefits under the laws of one Party, which is filed with the agency of the other Party in accordance with paragraph (1) of this Article, shall be adjudicated by the agency of the first Party under the applicable provisions of its laws.

(3) An applicant may request that an application filed with an agency of one Party be effective on a different date in the other Party within the limitations of and in conformity with the laws of the other Party.

(4) The provisions of Part III of this Understanding shall apply only to an application for benefits which is filed on or after the date this Understanding enters into force.

right to benefits under the laws of the other party as if the application had been presented to the agency of the other party, provided the applicant expresses and intent to file for benefits under the other party's laws when the applicaiton is filed. Because an applicant may not be fully aware of his benefit rights under the other party's laws, Article XIII(1) also provides that the application will protect the claimant's rights in the other party if, at the time of filing, the applicant indicates that the person on whose record benefits are based had been covered under the other party's social security laws.

Article XIII(2) makes it clear that an application for benefits from one party will be adjudicated under the applicable provisions of that party's laws even if such application is filed with the agency of the other party as provided for in Article XIII(1).

An applicant may specify that an application for benefits from one party be given a different effective date under the laws of the other party within the limits of the laws of the other party. This provision could be of importance, for example, to people who wish to take advantage of delayed retirement credit provisions under the other party's laws.

Article XIII(4) requires that a person claiming benefits under the Understanding file an application either on or after the date the Understanding enters into force. If a person filed an application prior to this date, a new application is necessary.

UNDERSTANDING

Article XIV

(1) A written appeal of a determination made by the agency of one Party may be validly filed with an agency of either Party. The appeal shall be dealt with according to the appeal procedure of the laws of the Party whose decision is being appealed.

(2) Any claim, notice or written appeal which, under the laws of one Party, must have been filed within a prescribed period with the agency of that Party, but which is instead filed within the same prescribed period with the agency of the other Party, shall be considered to be filed on time and shall be forthwith transmitted to the agency of the first Party.

Article XV

Unless disclosure is required under the statutes of a Party, information about an individual which is transmitted, in accordance with the Understanding, to that Party by the other Party is confidential and shall be used exclusively for the purposes of implementing this Understanding. Such information received by a Party shall be governed by the statutes of that Party for the protection of privacy and confidentiality of personal data.

ANNOTATIONS AND COMMENTS

Both the United States and Quebec have formal procedures for appealing adverse determinations of their agencies. Under Article XIV(1), an appeal of a decision by an agency of one party may be filed with the agency of that party or with the agency of the other party.

Article XIV(2) provides that a claim, notice or written appeal which must be filed within a given time limit with an agency of one party shall be considered to be filed on time if filed within such limit with an agency of the other party. The agency with which the claim, notice or appeal is filed shall transmit it without delay to the agency of the other party.

Both the United States and Quebec have statutes that provide strict safeguards for maintaining the confidentiality of information pertaining to individuals which is in the possession of their respective Governments. In the United States these statutes include the Freedom of Information Act, the Privacy Act, the Tax Reform Act of 1976, the Government in the Sunshine Act, and pertinent provisions of the Social Security Act, and other related statutes. Article XV provides that personal information pertaining to an individual which one party furnishes to the other under the Understanding will be protected in accordance with the applicable provisions of the other party's privacy and confidentiality laws.

PART V

TRANSITIONAL AND FINAL PROVISIONS

Article XVI

(1) No provision of this Understanding shall confer any right:

(a) to receive a pension, allowance or benefit for a period before the date of the entry into force of the Understanding, or

(b) to receive a lump-sum death benefit if the person died before the entry into force of the Understanding.

(2) In the implementation of this Understanding, consideration shall also be given to periods of coverage and other events relevant to rights under the laws occurring before the entry into force of this Understanding, except that neither Party shall take into account periods of coverage occurring prior to the effective date of its laws.

(3) Determinations made before the entry into force of this Understanding shall not affect rights arising under it.

(4) This Understanding shall not result in the reduction of the amounts of benefits already established because of its entry into force.

Under Article XVI(1), benefits payable as a result of the Understanding will be paid only for periods beginning with the date on which the Understanding enters into force. Any lump-sum death payments provided by section 202(i) of the U.S. Social Security Act will be payable under the Understanding only if the death occurs on or after the date the Understanding enters into force.

Article XVI(2) provides that periods of coverage earned before the effective date of the Understanding, as well as other relevant events occurring before that date, will be taken into account in determining a person's benefit rights under the Understanding. However, neither party will consider periods of coverage credited prior to the earliest date for which periods of coverage may be credited under its laws.

A decision to award or deny a claim which was rendered prior to the effective date of the Understanding will not prevent a person from claiming benefits under the Understanding.

Although it is unlikely that other provisions of the Understanding would result in reduced benefit amounts, Article XVI(4) guarantees that benefits which are already being paid at the time the Understanding takes effect will not be reduced because of its entry into force.

UNDERSTANDING

(5) The period of work referred to in the last sentence of Article V(2)(a) shall be measured beginning on or after the date on which this Understanding enters into force.

Article XVII

(1) This Understanding shall remain in force and effect until the first of the following dates:

December 31 of the calendar year following the year in which written notice of its denunciation is given by one of the Parties to the other Party;

or the date the Social Security Agreement between Canada and the United States signed on March 11, 1981 ceases to remain in force and effect.

(2) If this Understanding is terminated by denunciation, rights regarding entitlement to or payment of benefits acquired under it shall be retained; the Parties shall make arrangements dealing with rights in the process of being acquired.

ANNOTATIONS AND COMMENTS

Under Article V(2), an employee who is transferred from the territory of one party to work in the territory of the other party for a period of not longer than 60 months will continue to be covered under the social security laws of the first party and will be exempt from coverage under the laws of the host party. Article XVI(5) provides that the 60-month period will be measured beginning on or after the date the Understanding enters into force. Thus, for persons to whom Article V(2) applies who were transferred to the territory of the other party before the effective date of the Understanding, that prior period will not be counted for purposes of the 60-month limit.

Article XVII(1) provides for the Understanding to remain in effect until December 31 of the calendar year after the year in which written notice of termination is given by one of the parties, or, if earlier, the date the Social Security Agreement between Canada and the United States ceases to remain in effect.

Article XVII(2) provides that, in the event of termination of the Understanding, a person will retain benefit rights acquired before termination; supplementary accords would determine the extent to which each party would recognize benefit rights in the process of being acquired at the time of termination—for example, periods of coverage which had not yet resulted in fully insured status.

Article XVIII

This Understanding shall enter into force on the first day of the second month following the month in which each Government shall have received from the other Government written notification that it has complied with all statutory and constitutional requirements for the entry into force of this Understanding.

In witness whereof, the undersigned representatives of the Parties being duly authorized thereto, have signed the present Understanding.

Done at Quebec on March 30, 1983, in duplicate in the English and French languages, both texts being equally authentic.

For the Government of the United States of America:

(Signed) GEORGE W. JAEGER.

For the Government of Quebec:

(Signed) JACQUES YVAN MORIN.

Each party will follow its own constitutional procedures for approval of the Understanding. In Quebec, the Understanding is subject to legislative review. In the United States, the Understanding must be presented to the Congress for a review period of 60 days during which at least one House of Congress has been in session as required by section 233(e) of the U.S. Social Security Act. The Understanding will enter into force on the first day of the second calendar month after each Government has received formal notification of approval from the other Government.

ADMINISTRATIVE ARRANGEMENT FOR THE IMPLEMENTATION OF THE UNDERSTANDING BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF QUEBEC ON SOCIAL SECURITY—MAY 11, 1981

In conformity with Article VIII(a) of the Understanding between the Government of the United States of America and the Government of Quebec on Social Security of this date, hereinafter referred to as "The Understanding", the following provisions have been agreed upon:

CHAPTER 1

GENERAL PROVISIONS

Article 1

The following are designated as liaison agencies for the purposes of administering the Understanding and this Arrangement:

For the United States,

The Social Security Administration, and

For Quebec,

Le Secretariat de L'Administration des Ententes de Securite Sociale

The liaison agencies designated in Article 1 have primary responsibility for implementing and administering the Understanding and Administrative Arrangement. Claims which are filed in one party for benefits from the other party will be forwarded to the liaison agency in the other party for processing. The Social Security Administration is the liaison agency for the United States. The Secretariat for the Administration of Social Security Understandings is the liaison agency for Quebec.

Article 2

Terms used in this Administrative Arrangement will have the same meaning as in the Understanding.

Article 2 provides that terms used in both the Understanding and this Administrative Arrangement, whether defined in the Understanding or not, have the same meaning as in the Understanding.

Article 3

The agencies of the Parties will agree upon joint procedures and forms necessary for the implementation of the Understanding and this Administrative Arrangement.

Article 3 authorizes and requires the agencies of the United States and Quebec to agree upon those procedures and forms which must be prepared jointly for the implementation of the Understanding and Administrative Arrangement. In accordance with Article I(5) of the Understanding, the agency for the United States is the Social Security Administration and for Quebec is either the Quebec Ministry of Revenue for matters related to contributions, or the Quebec Pension Board for all other matters.

CHAPTER 2

PROVISIONS ON COVERAGE

Article 4

(1) Where the laws of a Party are applicable in accordance with Article V of the Understanding, the agency of that Party will issue, in accordance with procedures to be agreed upon and at the request of the employer, employee, or self-employed person, a certificate stating that the concerned employee, or self-employed person, is covered by those laws. The certificate will be evidence that the employee or self-employed person is

Article 4 establishes procedures pursuant to Article V of the Understanding for the elimination of dual social security coverage and taxation of the same work under the systems of both the United States and Quebec.

Under Articles 4(1) and 4(2), the agency of the party whose social security coverage laws will continue to apply to a person will issue a certificate to that effect when requested to do so by a worker, the worker's em-

exempt from the laws on compulsory coverage of the other Party.

(2) The certificate referred to in poaragraph (1) of this Article will be issued:

(i) In the United States: By the Social Security Administration.

(ii) In Quebec: By the Ministere du Revenu du Quebec.

CHAPTER 3

PROVISIONS ON BENEFITS

Article 5

(1) The liaison agency of the Party with which an application for benefits is first filed in accordance with Article XIII of the Understanding will inform the liaison agency of the other Party of this fact without delay, using forms established for this purpose. It will also transmit documents and such other available information as may be necessary for the liaison agency of the other Party to establish the right of the applicant to benefits according to the provisions of Part III of the Understanding. In the case of an application for disability benefits, it will, in particular, transmit relevant medical evidence in its possession concerning the disability of the applicant.

(2) The liaison agency of a Party which receives an application filed with the liaison agency of the other Party will, without delay, provide the liaison agency of

ployer or a self-employed person. When presented to the appropriate agency of the other party, the certificate will establish the basis for the exemption of the person from the coverage laws of that party.

Articles 5(1) and 5(2) outlines the procedures to be followed by both parties for the exchange of pertinent information needed to process claims filed under the Understanding.

the other Party with such evidence and other available information as may be required to complete action on the claim.

(3) The liaison agency of the Party with which an application for benefits has been filed will verify the accuracy of the information pertaining to the applicant and his family members. The types of information to be verified will be agreed upon by the liaison agencies.

Both U.S. and Quebec laws require that certain information about individuals claiming benefits be verified (e.g., age and family relationship to the worker) before the claim can be approved. Article 5(3) provides that when a claim for benefits under the Understanding is filed in the territory of one party, the liaison agency of that party will verify the relevant information and inform the liaison agency of the other party of its findings. The purpose of this provision is to expedite the claims process by avoiding the duplication of effort which would result if the liaison agencies of both parties were required to verify the same information. Although a liaison agency may accept the findings of the other liaison agency concerning the accuracy of information, it may at its discretion request documentary evidence to support those findings.

(4) Certification by a liaison agency of information pertaining to civil status or vital statistics exempts the transmission of the probative documents to the other agency. The first agency shall furnish those documents or certified copies thereof which may be obtained upon request of the other agency.

When a liaison agency certifies the correctness of information concerning a claimant's age, family relationship, etc., it will not routinely send the other agency the documentary evidence on which the certification is based. However, if the other agency should need such evidence, the first agency will furnish either the evidence or certified copies thereof.

Article 6

In the application of Article VI of the Understanding, the Quebec liaison agency will notify the United States liaison agency of the years in which a person is credited with coverage under the Act concerning the Quebec

Article 6 provides that where totalization is necessary to establish a person's right to benefits in accordance with Article VI of the Understanding, the Quebec liaison agency will furnish the U.S. liaison agency a record

Pension Plan along with such other information as may be necessary to determine the amount of the person's benefit.

showing the number of years of coverage the person has earned under the Quebec Pension Plan. The Quebec liaison agency will also provide such other information as the U.S. liaison agency may require to compute the amount of the person's benefit.

Article 7

In the application of Chapter 2 of Part III of the Understanding, the United States liaison agency will notify the Quebec liaison agency of the periods of coverage which a person has completed under United States laws, along with such other information as may be necessary to determine the amount of the person's benefit.

Article 7 provides that where totalization is necessary to establish a person's right to QPP benefits in accordance with Chapter 2 of Part III of the Understanding, the Social Security Administration will furnish the Quebec liaison agency a record showing the number of quarters of coverage the person has earned under the U.S. system and such other information as may be necessary to establish the amount of the person's benefit.

CHAPTER 4

MISCELLANEOUS PROVISIONS

Article 8

In accordance with measures to be agreed upon pursuant to Article 3 of this Administrative Arrangement, the liaison agency of one Party will, upon request of the liaison agency of the other Party, furnish available information relating to the claim of any specified individual for the purpose of administering the Understanding.

Article 8 provides that the liaison agency of one party may upon request furnish claims-related information to the liaison agency of the other party in accordance with agreed upon procedures. Such procedures will be agreed upon by the agencies and will be consistent with the governing statutes of both parties.

Article 9

Where administrative assistance is requested under the Understanding, expenses other than regular person-

Under Article 9, expenses incurred in responding to requests for administrative assistance which require an

ANNEX D

Report to Congress on the Financial Effect of the United States-Canadian Social Security Agreement

This report presents estimates of benefit costs and reduction in contribution income resulting from the proposed totalization agreement with Canada. The estimates are based on the assumption that the agreement will become effective early in 1984.

Additional OASDI benefit payments in fiscal year 1984, over and above payments under present law, are estimated to total $3 million. These additional payments will be made to persons who are not now eligible for OASDI benefit payments but who would become immediately eligible for such benefits under the totalization agreement. Data from Immigration and Naturalization Service Annual Reports and from Canadian Government resource material were used as a basis for the following estimates of the number of persons living in the United States who would become immediately eligible for a totalized OASDI benefit:

Total	4,000
Retired or disabled	3,000
Dependents and survivors	1,000

Estimates of the number of persons living in the United States and Canada not eligible under present Canadian law for benefits under the Old-Age Security program (OAS), the Canada Pension Plan (CPP), or the Quebec Pension Plan (QPP), who would become immediately eligible for such benefits are shown in the following table:

	CPP	QPP	OAS	Total
Retired or disabled workers	700	200	27,400	28,300
Survivors and dependents	600	300	500	1,400
Total	1,300	500	27,900	29,700

A summary of the estimated effects of the totalization agreement with Canada, including the Quebec Understanding, on benefit payments and tax contributions in 1984 is shown below (in millions):

1. Additional benefit payments from U.S. system	$3
2. Reduction in tax contribution income to the U.S. System	43
3. Total effection U.S. system	46
4. Additional benefit payments from the CPP system	4
5. Additional benefit payments from the QPP system	1
6. Additional benefit payments from the OAS system	14
7. Reduction in CPP tax contributions by U.S. employees and employers	8
8. Reduction in QPP tax contributions by U.S. employees and employers	3
9. Total effect on Canadian system	30
10. Net comparative effect [1]	16

[1] Calculated as line 3 less line 9. This number represents the total additional cost to the United States system in excess of the total additional cost to the Canadian system.

The ongoing number of persons becoming eligible for OASDI benefits as a result of the agreement is estimated to be 300 annually.

The ongoing number of persons becoming eligible for OAS, CPP, or QPP benefits as a result of the agreement is estimated to be 4,000 annually.

About 9,000 Canadian employees and their employers in the United States would no longer make tax contributions to the OASDI and HI Trust Funds as a result of the agreement.

Approximately 25,000 United States employees and their employers would no longer be required to pay Canadian Social Security taxes.

SOCIAL SECURITY IN CANADA

I. Profile

Population: 24 million; economically active: 11 million. 1977 GNP spent on "social security" (as broadly defined by the ILO): 14.3 percent, of which 2.9 percent on old-age, survivor, and disability (invalidity) insurance (OASDI). Comparable U.S. expenditures were 13.7 percent and 4.3 percent, respectively.

Canada has five branches of social security: (1) old-age, survivor, and disability (invalidity) insurance (OASDI); (2) health, cash sickness and maternity programs; (3) workers' compensation; (4) unemployment insurance; and (5) family allowances.

Federal and Provincial governments cooperate in administering the social security programs. The Department of Health and Welfare Canada administers the universal and earnings-related pension programs, national health care, and the family allowance program. When the earnings-related pension, the Canada Pension Plan (CPP), was legislated in 1966, all Provinces had the option of administering their own programs. Only Quebec exercised this option, setting up the Quebec Pension Plan (QPP) in 1966. Provincial authorities throughout Canada administer their own health insurance plans and the workers' compensation programs.

II. Old-age, survivors and disability insurance

Canada provides OASDI benefits through two separate programs—the Old Age Security Program (OAS) and the Canada Pension Plan (CPP)—which together make up what is usually described as a two-tier social security system. Old Age Security, the first tier, is a nonwork-related, noncontributory program which operates in all parts of Canada and pays old-age benefits to persons age 65 or over in proportion to the number of years they have resided in Canada. The OAS pension is supplemented by a Guaranteed Income Supplement (GIS) and a Spouse's Allowance (SA) for aged spouses of OAS beneficiaries. Both benefits are income tested. The CPP constitutes the second tier and is a contributory, earnings-related program. It pays retirement, disability and survivors benefits based on the length of a worker's employment and the level of his earnings. The CPP is applicable throughout Canada, except in the Province of Quebec. Under a constitutional prerogative, Quebec has established its own second-tier program called the Quebec Pension Plan (QPP) which is, in all major respects, similar to the CPP.

Social Security benefits in Canada, as in the United States, are not intended to be the only source of retirement income but rather a floor of protection to which private pensions and savings may be added. Under the Canadian system, the first-tier old-age security benefit provides minimum basic protection. The second-tier contributory plans pay monthly pensions which are generally equal to 25 percent of a worker's average monthly earnings. Finally, Canadians are expected to provide part of their retirement income from private pensions, savings, insurance, and assets accumulated either through occupational plans or individual savings and investments.

This paper will describe the OAS Program and the CPP and QPP since, in combination, they provide benefits comparable to the United States' OASDI program.

III. Organization and administration

Several Federal Government departments are involved in the operation of the Canada Pension Plan. Primary responsibility for administration rests with the Department of National Health and Welfare, which takes claims and pays benefits through its head office in Ottawa, 42 district offices and 109 local offices across the country (except Quebec). Checks are issued and contributors' earnings records are kept by the Department of Supply and Services. Social insurance numbers, which are used to identify workers' earnings and contributions, are issued by the Unemployment Insurance Commission for both the CPP and QPP. Contributions are collected by the Department of National Revenue, and the Department of Finance administers the Canada Pension Plan investment fund. The Department of Insurance is required to prepare an actuarial report on the plan every five years and when any major legislative changes are proposed.

The Quebec Pension Plan is administered by the Quebec Pension Board. The Quebec Department of Revenue is responsible for collecting QPP contributions. Contributions in excess of those needed to meet current benefit obligations are transferred to the Quebec Deposit and Investment Fund for investment.

The Canadian Department of National Health and Welfare is responsible for the payment of benefits, policy, and general administration of the Old Age Security Program. Administration of the OAS is decentralized in ten regional offices situated in the capital city of each of the ten Provinces. Claimants submit applications for OAS benefits to the regional office in their Province. When a beneficiary moves from one Province to another, his claims file is transferred to the appropriate regional office.

The office responsible for processing Old Age Security and Canada Pension Plan claims filed under one of Canada's international social security agreements is located in Ottawa.

IV. Coverage

A. *Canada and Quebec Pension Plans*

1. *In Canada*

a. *Compulsory coverage.*—In general, all persons employed or self-employed in Canada and earning more than the Year's Basic Exemption [1] are compulsorily covered

[1] The Year's Basic Exemption is explained in connection with "Contributions and Financing."

under the CPP unless they reside in Quebec, in which case they are covered under the QPP. The only exceptions are employment in Canada for employers not resident in Canada; short-term or low-paying agricultural labor; casual labor; employment of an exchange teacher; and employment of a member of a religious order who has taken a vow of perpetual poverty. Income of a nonresident derived from self-employment in Canada is generally excluded from coverage.

b. Voluntary Coverage.—Effective with the 1975 taxable year, people engaged in some types of employment that are exempt from compulsory coverage may elect to contribute to the CPP or QPP at the self-employment rate. Voluntary coverage is also available to employees working in Canada for an employer who is not resident in Canada.

2. *Outside Canada*

a. *Employment.*—Employment outside Canada is not covered compulsorily under the CPP or QPP unless the employee retains certain specific ties to Canada (e.g., is paid from his employer's business in Canada or ordinarily reports to work in Canada). In the absence of such ties, employment outside Canada may be covered if the employee is resident in Canada at the time he is hired by an employer operating in Canada and if the employer arranges to pay both the employee and employer portion of the CPP tax for all such employees employed by him in the other country. Voluntary coverage is available for employees who are Canadian residents for tax purposes and who are working outside Canada for an employer who is resident in Canada, but who has not arranged for coverage.

b. *Self-employment.*—Income of a Canadian resident derived from self-employment outside Canada is covered. Income of a non-resident derived from self-employment outside Canada is excluded from coverage.

c. *International transportation.*—Employment in international transportation performed outside Canada for a Canadian employer is generally covered by regulation.

B. *Old Age Security*

1. *In Canada.*—An individual receives residence credit toward OAS benefits for any year he is age 18 or over, makes his home in Canada, and ordinarily lives in any part of Canada.

2. *Outside Canada.*—In general, persons absent from Canada for an indefinite period do not receive credit for Canadian residence under OAS. However, certain absences do not interrupt Canadian residence for OAS coverage purposes:

Temporary absences not exceeding one year;
Absences to attend a school or university; or
Other absences specified by regulation.

In general, the regulations provide that workers and their spouses and dependents absent from Canada for employment purposes maintain their Canadian residence if they return to Canada within six months after the end of their employment outside Canada. Employees of Canadian firms and of international organizations absent from Canada for employment pur-

poses must also have a "permanent place of abode" or a "self-contained domestic establishment" in Canada during their absence in order to maintain Canadian residence.

V. Contributions and financing

The noncontributory OAS program is federally-financed from a special account in the Consolidated Revenue Fund (i.e., general fund). Both the CPP and QPP are self-supporting. Benefits and administrative costs are financed entirely from contributions and interest from the investment of funds. Employers and employees each pay contributions at the rate of 1.8 percent of the employee's "annual pensionable earnings." The self-employed pay at the combined employer-employee rate of 3.6 percent of "annual pensionable earnings." This amount is defined as the difference between the Year's Basic Exemption (YBE)—$1,800[2] in 1983—and the Year's Maximum Pensionable Earnings (YMPE)—$18,500 in 1983. Earnings are not covered unless they exceed the YBE.

The YMPE is being increased, by law, at the rate of 12½ percent per year until the average Canadian industrial wage is reached; then the YMPE will be increased annually based on changes in the average industrial wage. The YBE in a given year is set at 10 percent of the YMPE and is rounded down to the next multiple of $100. The contribution rates were established at the start of the program in 1966 and have not been changed. OAS and CPP benefits are both subject to income tax. CPP contributions are deductible for income tax purposes.

VI. Benefits

A. *Old age security program.*—The Old Age Security Program pays benefits to aged Canadians regardless of their employment history. The benefits payable under this program are the Old Age Security Pension, the Guaranteed Income Supplement and the Spouses' Allowance. The program does not include disability or death benefits or benefits for dependents. Benefits payable under the Old Age Security Program are subject to increases in January, April, July and October to reflect increases in the Consumer Price Index.

1. *Old-Age Security Pension*

a. *General.*—OAS eligibility and benefit amounts are presently determined under two sets of rules. Amendments to the Old Age Security Act enacted in 1977 would have disadvantaged people who had been planning for their retirement based on prior law. In order to phase in the OAS program changes without causing undue hardship for a large number of people, both the old rules and new rules will be used during a 40-year period ending in 2017.

The new rules apply to all people who were under age 25 on July 1, 1977, or who did not reside in Canada on that date. People who were age 25 or older on July 1, 1977, and who reside in Canada on that date may have their OAS eligibility and benefit amounts determined under the old or new rules, whichever are more advantageous.

[2] All figures are given in Canadian dollars.

b. *Eligibility*

(1) *Age requirement.*—The OAS pension is payable to anyone age 65 or older who meets the residence requirements.

(2) *Residence requirements.*—Under the old rules, a person is either entitled to the full old-age pension or not entitled at all. The full old-age pension is payable to a person having as little as 10 years of residence in Canada, if those 10 years immediately preceded age 65. Under the new rules, a person who has resided in Canada for a total of at least 10 years after age 18 may become entitled to an old-age pension payable at a rate of 1/40 of the full pension for each year of Canadian residence. Thus, a full pension is payable if a person has resided in Canada for at least 40 years. A minimum pension equal to 10/40 of the full pension is payable to a person who just meets the minimum 10-year residence requirement. Generally, under Canada's international social security agreements, a person with one year of legal residence in Canada may use residence or social security coverage in the other country to meet the 10-year minimum requirement for eligibility, though the benefit amount is based solely on years of Canadian residence.

(3) *Portability of benefits.*—OAS pensions are generally payable outside Canada only for the month of departure and for six months thereafter. A pensioner may reestablish eligibility for payment of an OAS pension by returning to and taking up residence in Canada. Payments resume with the month following the pensioner's return to Canada. In order to export the benefit for periods of more than six months, and OAS pensioner must have been a legal resident of Canada for 20 years after age 18. Under Canada's international agreements, residence or social security coverage in the other country generally may be used to meet the 20-year requirement.

c. *Benefit amounts.*—All those eligible under the old rules receive the full basic OAS pension. The basic monthly OAS pension amount payable in January 1983 is $251.12.

The amount of the OAS pension payable under the new rules varies according to the number of years a pensioner has been a legal resident of Canada. The pension is payable at the rate of 1/40 of the basic pension for each full year of Canadian residence. Persons qualifying without recourse to an international agreement would receive no less than 10/40 of the basic amount since 10 years of Canadian residence is required for eligibility. Since a person may qualify under a social security agreement with just one year of Canadian residence, the smallest pension payable under an agreement would be 1/40 of the basic amount.

2. *Income-tested supplements*

a. *Guaranteed income supplement (GIS).*—The GIS is a supplementary benefit paid to OAS beneficiaries who have

little or no income beyond their OAS pension. The GIS was established in 1967 and designed to guarantee recipients that their monthly income from all sources would not fall below specified levels.

(1) *Eligibility.*—The GIS is payable to OAS pension recipients who reside in Canada and meet certain income tests. It is payable outside of Canada for only six months following the month of departure and is resumed when the pensioner reestablishes Canadian residence.

(2) *Benefit amount.*—In January 1983, the maximum GIS payable to a single pensioner is $252.10. Married couples, where both spouses are pensioners, could receive up to $194.37 for each spouse. The maximum GIS is reduced at varying rates based on income received by the pensioner and spouse in the calendar year preceding the benefit year.

b. *Spouses' allowance (SA).*—The SA was added to the Old Age Security Program in October 1975 to help couples where only one spouse is in receipt of an OAS pension and the other spouse is at an age where it may be difficult to find employment or continue working. The SA is composed of two parts—an old age security pension equivalent and a guaranteed income supplement equivalent.

(1) *Eligibility.*—The SA is payable between the ages of 60 and 65 and has the same residence and application requirements as the OAS and GIS. It is payable to a spouse of an OAS pensioner only if the pensioner is receiving GIS. Like the GIS, the SA is not payable outside of Canada for more than six months after the month of departure. Since this benefit is payable only to the spouse of a pensioner, if the pensioner and spouse separate or divorce, or if the pensioner is no longer entitled to a pension, the allowance is terminated.

(2) *Benefit amount.*—Like the OAS benefit, periods of residence in Canada are counted to determine whether the portion of the SA which is equivalent to the OAS is payable in full or in part. The amount of the SA also depends on the combined income level of the couple. The SA is reduced based on the couple's combined income in excess of the amount of the OAS pension.

The maximum SA is payable to the spouse of an OAS pensioner when the pensioner receives the full basic pension and full guaranteed income supplement. The maximum SA is $445.49 in January 1983 ($251.12 for the OAS equivalent plus $194.37 for the full married GIS equivalent). The income of the couple from both the pensioner's and spouse's benefit would be $890.98 (2 × $445.49).

B. *Canada and Quebec pension plans*

1. *Overview.*—The Canada and Quebec Pension Plans were implemented in 1966 and provide retirement, survivors and disability benefits. Benefits under both plans are payable in ad-

dition to any old-age security pension for which an individual may be eligible. Applicants for benefits who have contributed to both CPP and QPP apply to QPP if they live in Quebec and to CPP if they live in any other part of Canada. For applicants living abroad, the last Canadian residence determines jurisdiction.

2. *Retirement pensions*

a. *Eligibility.*—Retirement pensions are payable to contributors 65 years of age and older, even if they continue to work and receive earnings. A retirement pension may be paid based on as little as one contribution to the Plan.

b. *Benefit amount.*—The amount of the retirement pension is 25 percent of the worker's average monthly indexed earnings during his contributory period. (A period beginning January 1, 1966 or at age 18—whichever is later—and ending when the person reaches age 65, becomes disabled or dies—whichever is earlier.) The maximum monthly retirement benefit payable in 1983 is $345.15. An earnings test which reduced the amount of the retirement pension was repealed in 1975 for CPP and 1977 for QPP.

3. *Disability benefits*

a. *Eligibility.*—Disability benefits are payable to persons between the ages of 18 and 65 who meet the minimum coverage requirements and are disabled. To be considered disabled within the meaning of CPP and QPP, a person must have a physical or mental disability which is both severe and prolonged. "Severe" means the person is incapable of regularly pursuing any substantial gainful activity. "Prolonged" means that the disability is likely to be of long, continued and indefinite duration or result in death.

A person may meet the minimum coverage requirement in either of the following ways:

By contributing for at least ⅓ of the total number of calendar years in his contributory period but not fewer than five years; in addition, a claimant whose contributory period exceeds 10 years must have contributed for at least five of the last 10 years in his contributory period; or

By contributing for at least 10 years and at least five out of the last 10 in his contributory period.

Disability benefits are paid to a disabled contributor beginning with the fourth month after the month the applicant first becomes disabled. There is no waiting period if the benefit is payable for a disability occurring within five years after a previous disability ceased.

Benefits are payable to dependent children of the disabled contributor who have never been married and who are under age 18 or between 18 and 25 years of age and attending school full time.

b. *Benefit amounts.*—Contributors who qualify for disability benefits receive a monthly pension consisting of a flat-rate component and an earnings-related component. In 1983, the monthly flat-rate component is $78.60 under the Canada Pension Plan and $201.44 under the Quebec Pension Plan. The earnings-related component is 75 percent of

the retirement pension calculated as if the recipient was age 65. Maximum disability pensions payable in 1983 are $337.46 under CPP and $460.30 under QPP.

A disabled pensioner who reaches age 65 receives his full retirement pension in place of both portions of the disability pension. (While this would reduce the CPP/QPP benefit in most cases, the OAS becomes payable at 65, offsetting the reduction in income.)

Disabled contributor's child's benefits are equal to the flat-rate benefit under CPP for each child ($78.60 monthly, with no family maximum). Under QPP the monthly amount paid for each child is $29.00.

4. *Survivors benefits*

a. *Eligibility.*—Survivors benefits are payable to the surviving spouse age 35 or over of a deceased contributor and to surviving children under age 18, or under age 25 and in school full time. In addition, a lump-sum death benefit is payable to the estate of a deceased contributor.

b. *Benefit amounts.*—Surviving Spouse's Pensions—The benefit for a widow or widower age 65 or older is 60 percent of the retirement pension of the deceased contributor, calculated as if the contributor had attained age 65. The maximum aged surviving spouse's benefit payable in 1983 is $207.09 monthly.

The benefit for surviving spouses who are (1) aged 45–64 at the time of the worker's death, (2) disabled, or (3) caring for a dependent child of the deceased worker is equal to a flat-rate amount (in 1983, $78.60 under CPP and $201.44 under QPP) plus 37.5 percent of the retirement pension of the deceased contributor. A surviving spouse under age 45 who is not disabled or caring for dependent children may also qualify for a benefit but the benefit amount is reduced by $\frac{1}{120}$ for each month the spouse was under age 45 at the time of the contributor's death. The maximum monthly survivors benefit payable in 1983 to surviving spouses under age 65 is $208.03 under CPP and $330.87 under QPP.

Orphan's benefits are calculated in the same manner as those payable on behalf of the dependent children of disabled contributors.

The lump-sum death benefit is equal to six times the monthly retirement pension of the deceased contributor or 10 percent of the Year's Maximum Pensionable Earnings in the year of death, whichever is less. For 1983 the maximum lump-sum death benefit payable is $1,850.

5. Combined benefits.—Persons eligible for surviving spouses benefits who have contributed to the Canada or Quebec Pension Plan may be entitled to a retirement or a disability pension in their own right. When this happens, pensions are combined, but the combined total may not exceed the current maximum retirement pension in the case of the CPP, or the maximum retirement or disability pension (whichever is higher) in the case of QPP.

6. Miscellaneous CPP/QPP provisions

a. Credit-splitting upon divorce (CCP and QPP).—Although no specific provision is made under CPP for divorced spouses' or surviving divorced spouses' benefits, a provision enacted in 1978 permits credit-splitting upon divorce, Under this provision, either divorced spouse can request that credits accumulated by both spouses during their marriage be totalled and split equally between them. Only credits acquired during the spouses' contributory periods can be split. Credits cannot be split for any year in which the sum of the spouses' earnings does not exceed twice the Year's Basic Exemption. If one or both spouses are in receipt of a CPP benefit at the time of the credit-splitting, a new benefit will be calculated and paid based on the split credits.

b. Child care drop out years (QPP).—The QPP provides that, if it is to the beneficiary's advantage, months of low wages during which the beneficiary was caring for a dependent child may be excluded from the computation of a QPP benefit. Such months may be excluded only to the extent that the remaining contributory period does not fall below 120 months (60 months for a disability benefit.)

A similar CPP provision was passed by the Canadian Parliament but is not yet effective since it has not received the required approval of the Provinces.

VII. International agreements

The statutory authority for Canada to enter into reciprocal social security agreements with other countries was enacted in 1977. This enabling legislation also authorizes the Federal Government to conclude agreements affecting Provincial plans when the Province in question has such a plan and requests the Federal Government to do so. Quebec, the only Province with a separate plan, has consistently exercised this option. As a result, social security agreements concluded by Canada to date have consisted of a primary agreement between Canada and the other country plus a secondary agreement between the Province of Quebec and the other country. In addition, there are separate administrative arrangements for the implementation of these agreements.

THE SECRETARY OF HEALTH AND HUMAN SERVICES,
Washington, D.C., November 3, 1983.

Hon. GEORGE P. SHULTZ,
Secretary of State,
Washington, D.C.

DEAR MR. SECRETARY: I would like to recommend that the recently concluded bilateral social security agreement between the United States and Canada be submitted to the Congress for review. The agreement provides for limited coordination of the U.S. and Canadian social security systems. Two major problems have arisen in the past because our systems were not coordinated: gaps in the

social security protection of those who have worked at various times under the U.S. and Canadian systems, and dual U.S. and Canadian social security coverage and taxation of the same work. The agreement would overcome both problems by filling gaps in protection and eliminating dual coverage and taxation.

Agreements of this type are authorized by section 233 of the Social Security Act. Section 233 includes an oversight provision which requires that Congress be given an opportunity to review any such agreement before it can be implemented. In accordance with this provision, the President must transmit to Congress the text of the proposed agreement and a report on the estimated number of individuals who would be affected by the agreement. This report must also describe the effect of the agreement on the estimated income and expenditures of the programs established by the Social Security Act. Under section 233, as recently amended by the Social Security Amendments of 1983, an agreement can go into effect after a congressional review period during which at least one House has been in session on each of 60 days. The additional provision in the law permitting either House to prevent the effectuation of the agreement by adopting a resolution of disapproval during that period has been called into question by the recent Supreme Court decision in the case of *Immigration and Naturalization Service* v. *Chadha.*

The U.S.-Canadian Social Security Agreement consists of five separate instruments which have been negotiated and signed over a period of several years:

The principal agreement, signed on March 11, 1981 during President Reagan's visit to Ottawa, sets forth the basic rules for coordinating the two countries' systems. An administrative arrangement, which establishes operating procedures to implement the principal agreement, was signed in Washington, D.C. on May 22, 1981.

A supplementary agreement, signed in Ottawa on May 10, 1983 authorizes the United States to apply a simplified benefit computation procedure.

An understanding and related administrative arrangement with Canada's Quebec Province, which will extend the application of the

agreement to Quebec's provincial-level social security system, was signed in Quebec City on March 30, 1983. (Canadian law permits any Province to establish and administer its own system; only Quebec has exercised this prerogative.)

The agreement with Canada is similar to social security agreements already in force with Italy, the Federal Republic of Germany and Switzerland and to proposed agreements with Belgium and Norway which were recently submitted to Congress for review.

It is estimated that under the U.S.-Canadian agreement, about 25,000 U.S. citizens in Canada and their employers would be relieved of Canadian social security taxes. The savings would amount to about $11 million in fiscal year 1984. About 9,000 employees and their Canadian employers would be exempt from U.S. Social Security taxes which—owing to higher U.S. contribution rates—would amount to about $43 million in fiscal year 1984. It is estimated that about 4,000 people would become eligible for U.S. benefits in fiscal year 1984 as a result of the agreement, and would receive an estimated $3 million in fiscal year 1984 with small increases thereafter. Approximately 30,000 people would become eligible for Canadian Social Security benefits under the agreement and would receive a total of about $19 million in fiscal year 1984. The claims workload should have a negligible impact on State Department facilities in Canada, because Canadian residents would file claims for benefits under the agreement in the same manner as presently prescribed for regular U.S. benefits, either by correspondence with SSA or by direct contact with a U.S. Social Security office located along the border.

I would appreciate it if you would recommend to the President that he submit the agreement and enclosed background material to the Congress for review as soon as possible.

Sincerely,

MARGARET M. HECKLER,
Secretary.

nel and operating costs of the Competent Authorities and agencies providing the assistance shall be reimbursed in accordance with procedures to be agreed upon by the agencies.

Article 10

The liaison agencies of the two Parties will exchange statistics on the payments made to beneficiaries under the Understanding for each calendar year in a form to be agreed upon. The data will include the number of beneficiaries and the total amount of benefits, by type of benefit.

Article 11

This Administrative Arrangement will take effect on the date of entry into force of the Understanding and will have the same period of duration.

Done at Quebec on March 30, 1983, in duplicate in the English and French languages, both texts being equally authentic.

For the Government of the United States of America:

(Signed) GEORGE W. JAEGER.

For the Government of Quebec:

(Signed) JACQUES YVAN MORIN.

agency to go outside its own organization to provide the assistance, e.g., to hire an interpreter or to conduct a special field investigation, will be reimbursed by the requesting agency. Specific procedures for handling reimbursements will be agreed upon by the responsible agencies.

Article 10 provides for an exchange of statistics concerning the number of beneficiaries and the types and amounts of benefits paid under the Understanding.

The Administrative Arrangement will enter into force on the same date as the Understanding and will remain in effect for the same period as the Understanding.